ECONOMIC REPORT OF THE GOVERNOR

2000

Submitted by

GRAY DAVIS, GOVERNOR
STATE OF CALIFORNIA

to the

CALIFORNIA LEGISLATURE
1999-2000 REGULAR SESSION

September 30, 2000

Dear Senators and Assemblymembers:

I am pleased to report that the state of the California economy is very strong indeed. By any measure, 1999 was the best year of the decade in California. Unemployment fell to a 30-year low. The state created more than 400,000 new jobs last year. Real income, after adjusting for inflation, grew by more than in any year since 1984. Taxable sales advanced more than 9 percent, also the biggest gain in 15 years.

These positive trends are continuing this year, with strong job creation, declining unemployment and rising wages. The stock market—which is accounting for an increasing share of household incomes and the State's General Fund revenues—remains a potential risk to this otherwise positive outlook.

There can be little doubt that California is the world leader in the New Economy, the Information Age, and the surge in productivity that has carried the nation through a record nine years of economic expansion that is still going strong. Our major basic industries such as electronics, aerospace, computer services (including the Internet), entertainment, specialized agriculture, biotechnology, and many more are the envy of the world. No economy is better positioned for the 21st Century than California's.

This Millennium year is also California's sesquicentennial, the 150th anniversary of our admission to statehood on September 9, 1850. It is appropriate now to look back at the remarkable economic history of our great state, from the Gold Rush to the transcontinental railroad, to the rise of the world's richest agricultural sector, to the establishment of our motion picture, aircraft, electronics and now information-based industries. This year's special topic provides a very brief overview of this remarkable story.

Over the years—and especially now—California's success has rested squarely on the skill, talent and bold vision of its people. Each of our major industries demands a skilled and knowledgeable workforce in order to survive and prosper. If our State is to maintain and even enhance our position of leadership in the New Economy, we must ensure that our young people are prepared to meet the challenge. That is why I have made improving and reforming our education system my number one priority.

Nothing less than the future of California is at stake.

Sincerely,

Gray Davis

GRAY DAVIS

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Introduction

By virtually every measure, 1999 was a banner year for the California economy—by far the best of the decade. Consider:

- Personal income grew nearly 8 percent, the largest increase since 1990.
- After adjusting for inflation, real income growth was 5 percent, the biggest gain in purchasing power in 15 years.
- Unemployment fell to a 30-year low.
- The number of jobs advanced by more than 3 percent.
- Taxable sales increased an estimated 9.3 percent, the largest gain since 1984.
- New car registrations reached a record level.
- Both residential and nonresidential construction posted solid gains and existing home sales set a record in 1999.

This outstanding performance occurred despite the lingering effects of the recession in Asia, which placed downward pressure on export volumes through the first half of the year. With a strong rebound now underway in much of Asia, solid growth in Mexico (now California's leading export customer) and Canada, and a pickup in Western Europe, foreign trade is set to provide an important boost to the state's economy in the year ahead.

There are two factors that helped California shake off the effects of Asia's economic problems. The more obvious of these is the remarkable strength of the U.S. economy. Although California is the nation's leading export state, it stills sells as much or more to the other 49 states as to all foreign destinations combined.

The current U.S. economic expansion is now the longest in history, beginning its 10th year in April 2000. Unemployment is the lowest since the Vietnam War in the late 1960s, while inflation is the lowest since the late 1950s and early 1960s. For the most part, the remarkable performance reflects a revolution in productivity, which has actually gained momentum as the expansion has aged. Productivity gains, in turn, reflect the considerable payoff from substantial investments in new technology, which have lowered costs and increased output throughout the economy. This best defines the "New Economy".

Leader of the New Economy. The second and more important reason for California's success relates to the state's position as the world leader in technology and innovation—the leader of the New Economy. California is the nation's largest producer of electronic equipment (including industry-specific capital equipment), components, computers, advanced instruments, and aerospace equipment, including aircraft, missiles and spacecraft.

The state is also the number one provider of computer services, including software, programming, and the Internet. Growth in these three segments of computer services was explosive in 1999—information retrieval (Internet) employment surged 76 percent last year, adding more than 14,000 jobs at an average wage approaching $100,000 per year. All told, the 39,000 jobs created throughout the computer services sector far more than offset the 27,000 job loss in high-technology manufacturing, including both electronics and aerospace.

California, specifically Los Angeles, is also home to the world's largest entertainment industry, including motion pictures, television programs, and audio recordings. This industry is moving rapidly into new technology, not only in the areas of special effects and animation, but now affecting the very means of distributing product to the public. There is little doubt that one of the major New Economy revolutions in the next few years will arise from the combination of the high-capacity Internet, digital recording and digital playback, including digital high definition television.

Biotechnology is also a major California specialty that focuses on both medical and agricultural applications. The electronics, software and biotech industries all draw to a considerable extent on the state's world-class research universities for talent, skills, basic research, and development.

A Remarkable Past. This millennium year is also California's sesquicentennial—on September 9, the State will celebrate the 150th anniversary of admission into statehood. It seems appropriate to take a look back and review, however briefly, the remarkable history of this state's economy. Beginning with the Gold Rush of 1848 to 1850, and continuing through the "New Economy" at the turn of the 21st century, California's economic history is one of constant change.

Landmark events, in addition to the gold rush, include the completion of the transcontinental railroad in 1869, the development of specialty agriculture in the late-19th and early 20th centuries, the emergence of an organized motion picture industry in the early 20th century, and the beginnings of the aircraft industry in the 1920s. The modern electronics industry traces its roots to the invention and development of the semi-conductor in the late-1940s, but at least one prominent Silicon Valley enterprise began business in the late 1930s.

Not only have new industries repeatedly emerged, but there have also been radical changes within individual industrial sectors. For example, mining is now dominated by petroleum extraction. Wheat was once California's principal crop, but by the end of the 19th century, specialty crops dominated farming, as they do today. Computer services—now the state's fastest growing industry—a quarter century ago was mainly computer time-sharing, leasing and maintenance activities that were for the most part population-serving. Today, export-oriented programming, software development, and information retrieval (Internet) are the major drivers of computer services growth.

Although Hollywood is synonymous with motion pictures—California accounts for almost 60 percent of the nation's movie and television program production—it didn't start out that way. American filmmaking began in New Jersey in 1895, and it was not until 1907 that lingering inclement weather forced a Chicago director to film outdoor footage in sunny Southern California. Less than five years later, the first major studio was organized, and by 1915 the industry's center of gravity shifted forever from the East Coast to the West. It wasn't only weather that attracted filmmakers; they were also trying to escape onerous licensing fees imposed by the Edison Company, which held patents on cameras and other essential equipment.

The development of the aircraft industry was given a huge boost by World War II although shipbuilding, not aircraft, was California's leading wartime industry. In the 1950s and 1960s, the electronics industry was considered to be a part of the aerospace industry, although by 1961 electrical equipment was the largest segment, surpassing aircraft.

Although industries have evolved and changed over time, each "new" industry has remained an important part of the state's economy. In fact, many of California's new industries arose from the requirements of more established sectors—aerospace was a large market for electronics and more recently, the entertainment industry has benefited from its growing links to technology. Southern California's apparel industry—now the nation's largest—owes more than a little of its success to the entertainment sector, which attracted talented designers for on- and off-camera fashions. Of course, the booming computer services sector is a direct outgrowth of the state's high-technology manufacturing base.

In the near future, it is possible to envision even greater synergies among the state's high-technology equipment, services and entertainment industries, implying significant growth in each segment. Beyond that, it is impossible to predict or even imagine the next chapter in California's remarkable economic story. To illustrate, in 1995 there were fewer than 5,000 workers in the information retrieval, and it is safe to assume that the majority of those were working in traditional database management activities. Today, this Internet-driven sector employs over 40,000, a more than eight-fold increase in less than five years.

The National and International Setting

The U.S. economy turned in another outstanding performance in 1999, with real (inflation-adjusted) gross domestic product (GDP) growth topping 4 percent for the third year in a row. Inflation remained subdued. The economy-wide GDP price index was up only 1.4 percent, the fourth consecutive year in which price increases averaged less than 2 percent. Growth was especially strong in the second half of 1999, ending with a surge of 7.3 percent at an annual rate in the fourth quarter, the strongest pace in 16 years.

By virtually any measure, the current economy is the best the U.S. has seen since the 1960s:

- In February 2000, the current economic expansion became the longest in U.S. history, and in April embarked on the tenth year of growth.
- Unemployment, at little more than 4 percent of the workforce, is the lowest in 30 years.
- Inflation is the lowest since the mid-1960s.
- Productivity—the growth in output per hour of work—over the last two years was the highest on a sustained basis in over 25 years.

Growth was well balanced in 1999. Consumer spending advanced 5.3 percent in real terms, business investment increased 8.1 percent, residential construction rose 7.4 percent, and government purchases were up 3.7 percent. The trade deficit on goods and services widened again last year, subtracting 1.1 percent from overall GDP growth. Excluding international trade, gross domestic purchases grew 5.1 percent in 1999.

Productivity: The Key to Longevity. In large measure, the remarkable performance of the U.S. economy is based on an upturn in productivity—output per hour of work—that is now advancing at a 2.5 to 3 percent pace not seen since the 1960s and early 1970s. Major revisions to the national income accounts, released last October, revealed the upturn in productivity gains. Better measures of services output—including business software and an array of financial services—boosted overall GDP, while actually lowering estimates of price inflation.

Productivity is important because it helps determine the economy's long-range potential growth and can help keep inflationary pressures at bay. For example, as recently as 1998, most economic analysts—including federal monetary and fiscal policy makers—believed maximum sustainable GDP growth was around 2.5 percent, consisting of 1 percent growth in the working-age population and 1.5 percent gains in output per hour worked. After the revisions, estimates of long-range growth have been boosted to a range of 3.5 to 4 percent, based on the perception that productivity gains are running upwards of 2.5 percent.

The improvement in productivity also helps explain why inflation has remained low even as unemployment has fallen to the lowest level since the late 1960s. Employee compensation accounts for over 70 percent of business sales. Productivity growth of close to 3 percent means that employers can offer pay and benefit increases of, say, 4 percent, while holding the rise in overall unit labor costs to l percent or less. With inflation at around 2 percent, employees are experiencing gains in real purchasing power (about 2 percent annually), and businesses can absorb higher commodity and raw material costs while holding the line on price increases.

Of particular note has been the strengthening of both economic growth and productivity as this expansion has aged. Normally, strong output-per-hour gains are achieved early in a business cycle, as idle plant and workers are put back into service. Later on, productivity gains depend on increased investment outlays and the ability to hire skilled workers in an increasingly tight labor market. This time, large, ongoing investments in technology are propelling productivity gains.

Examples of such investments can be found throughout the economy—in manufacturing, retailing, and the wide range of service industries. Inventory to sales ratios are at record lows, in large part because computers are able to monitor stock on hand and even place orders at every stage of production and distribution. ATMs, online banking, and Internet brokerages are delivering financial services at lower cost. The Internet is helping both households and businesses find competitive prices all across the goods and services economy.

Obeying the Speed Limit. Despite the excellent news on productivity, there remain concerns that the economy is growing at a pace that cannot be sustained over the long run. Even accepting 4 percent potential growth—reflecting the high end of the plausible range for long-term productivity gains—the economy cannot be expected to indefinitely maintain the 6.5 percent rate of advance posted in the second half of last year. Such rapid growth is extremely rare in a mature expansion, if for no other reason than labor supply constraints at some point become binding.

The current situation differs substantially from 1998 or early 1999. At the beginning of 2000, the U.S. jobless rate touched the 4 percent level, compared to 4.5 percent in 1998 and 4.2 percent last year. In addition, the severe 1998 recession in Asia—which had repercussions in Europe and Latin America—reduced demand, and therefore prices, of most industrial commodities.

With Asia (excluding Japan) now in a strong recovery, and with growth in Europe and Latin America also picking up steam, industrial commodity prices are rising across the board. Soaring stock prices are adding to consumer demand via the "wealth effect" that prompts households to spend more and save less, as rising market values take the place of incremental savings (capital gains themselves are excluded from the income accounts).

Moreover, the increasing use of stock options in employee compensation is boosting income directly, and may in fact help explain why most measurements of wage increase point to moderate increases of little more than 3.5 percent, despite the very low jobless rate. By contrast, the broad compensation-of-employees measure in the national income accounts is rising 4.5 percent, and even this higher figure probably does not capture fully the effects of stock options.

For all of these reasons, Federal Reserve policymakers have undertaken to rein in growth by boosting short-term interest rates. The central bank would prefer to see growth in the 3 to 4 percent range, in line with long-term potential, and is likely to boost rates gradually until it achieves that end. Nonetheless, real GDP growth this calendar year could reach 5 percent—the strongest gain of this record-long expansion. However, much of that annual increase is a product of the late-1999 spurt in economic activity. Growth in the first half of 2000 is ex-

pected to slow to around 5 percent. As the cumulative effects of higher interest rates begin to take hold later this year, quarterly growth in the 3 to 3.5 percent range seems a reasonable expectation for the second half of 2000. If all goes well, economic growth would settle into a 3 to 3.5 percent pattern in 2001.

Inflation is likely to inch up slightly this year. It appears that the worst of the fuel price run up is past. Recent decisions by the Organization of Petroleum Export Countries to boost output have at least stabilized prices. However, low gasoline inventories coming into the summer driving season continued to put upward pressure on retail gasoline prices through the summer.

In other segments, however, both the upward creep of wages and the much sharper rise in industrial commodity costs will be placing modest pressure on retail prices throughout much of this year. For all of 2000, U.S. consumer prices are expected to rise 2.6 percent. Lower oil prices should lead to an increase of closer to 2 percent in 2001.

A Cautionary Note. While the "soft landing" outlined above appears to be the most likely—and certainly preferred—path for the economy, there remains an unusual amount of risk in the forecast. Once again the underlying momentum of economic growth may be underestimated and the Federal Reserve's gradualist approach may prove too little, too late. Thus near-term growth could remain strong while inflation moves higher, prompting much sterner measures by the central bank. Thus, stronger growth in 2000 could lead to more pronounced weakness in 2001.

A second risk relates to the stock market, which as noted is playing a very large role in consumer spending and providing low-cost capital to finance business investment. A market reversal could dampen household spending considerably, while halting the robust trend of business investment that has characterized much of this economic upswing. A market reversal could also affect both State and federal government tax revenues, which have been boosted considerably in recent years by rising stock prices and stock option activity.

Clear Sailing Overseas. The problems that plagued many of the world's economies in 1998 and early 1999 seem, for the most part, to have resolved themselves as the new century begins. A strong upturn in most of Asia is already adding to export demand, especially in California. European growth picked up from scarcely 2 percent in early 1999 to 3 percent by the end of last year. Economic problems in Brazil were temporarily disruptive to many Latin American economies, but at the end of 1999 only Venezuela and Columbia, among the larger nations, were still in recession.

Of particular importance to California are the solid prospects for Mexico. Last year Mexico surpassed Japan to become the state's leading export market. For the first time since 1976, an election-year peso crisis has apparently been avoided this year. Growth in Mexico is being led by strong foreign investment flows, not only from the U.S., but from Asia and Europe as well. Past mistakes, including excessive reliance on short-term foreign debt and official efforts to prop up the peso, have been avoided. Although the peso has strengthened in recent months, the rise has been market driven, reflecting a vote of confidence rather than any attempt to peg the currency.

Even Japan's economy is showing promising signs, after a very disappointing 1999. Last year, a strong first quarter was followed by a flat spring period, and a return to declining economic activity in the second half of 1999. Early reports for 2000 indicate an upturn in both consumer spending and business investment, and rising confidence, which are being mirrored in the stock market. Japan's internal economy, which is still over-regulated and inefficient, remains a major impediment to growth, but there is a growing recognition of the need for change.

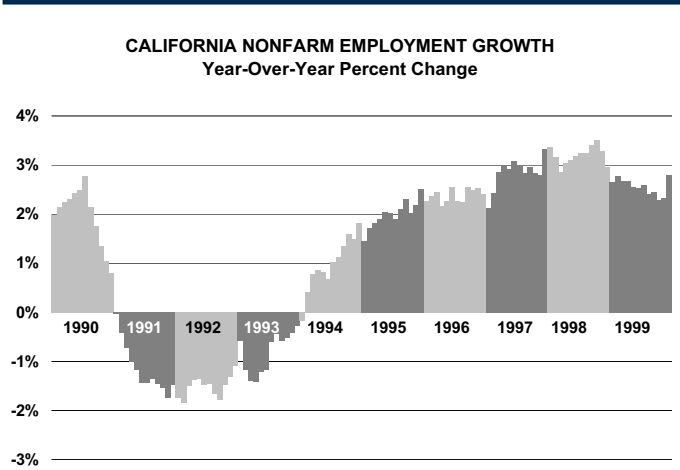
For California—the nation's leading export state—the brighter outlook for most foreign economies will help offset the effects of somewhat slower U.S. growth later this year and in 2001.

California Overview

California enjoyed superlative economic performance in 1999. It realized robust employment growth—well above the nation's rate—a historically low unemployment rate, and solid income growth. All of this was achieved while enjoying extremely mild inflation.

- California nonfarm wage and salary employment passed the 14 million mark last year. Official data indicate the state created over 376,000 jobs, for a 2.8 percent growth rate. Figures based on more recent payroll tax reports imply growth of more than 3 percent in 1999.

FIGURE III-01



- By the end of 1999, the unemployment rate had fallen to a 30-year low of 4.7 percent. On an annual average basis, the jobless rate dropped six-tenths of a percent to 5.2 percent, marking the sixth consecutive year of falling unemployment.

- With 7.4 percent personal income expansion and 2.9 percent consumer price inflation, real personal income advanced a strong 4.5 percent in 1999.

- Building activity moderated a bit but still posted significant gains. Home construction grew more than 11 percent over the year, and nonresidential construction rose by better than 10 percent.

- Dramatic economic improvements in Asia led to a turnaround in California exports, which were up more than 8 percent in the second half of 1999 from the comparable year-earlier level.

Industry Trends

Vigorous job growth continued in 1999. For the year as a whole, employment expanded in all industry sectors with the exception of mining and manufacturing. Construction showed the strongest job growth, rising by over 11 percent. Services—led by computer programming firms—added the greatest number of jobs over the year: 153,600. Weak exports during the first

FIGURE III-02

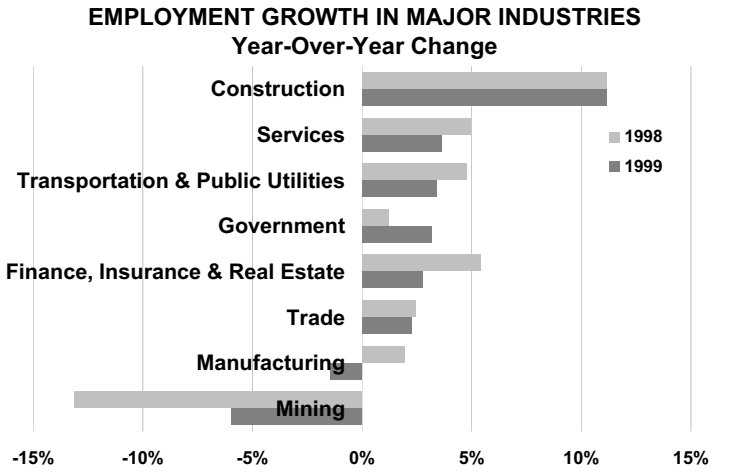
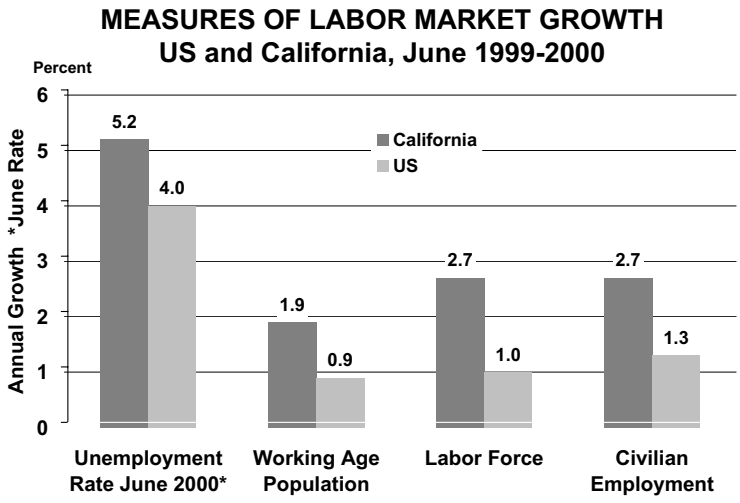


FIGURE III-03



half of the year led to manufacturing employment losses, particularly in California's high technology sectors. However, monthly figures for the second half of 1999 show modest gains in electronics manufacturing.

California's declining unemployment rate was an important feature of the 1999 economic scene. The state tallied the lowest jobless rate since 1989, averaging 5.2 percent for the year, down from 5.9 percent in 1998. The number of people unemployed dropped by 59,000 last year. The state's unemployment rate continued to close the gap with the nation's—narrowing from 1.3 percentage points above the U.S. rate in January 1999, to less than one point by year end. At the bottom of the early 1990s recession, the California rate was almost 3 percentage points higher than the national average. Recent rapid growth in California's labor force resulted in a rise in the state's unemployment rate during the spring of 2000. However, all measures of new job creation are running well ahead of the nation as a whole.

Recent unemployment rates are the lowest ever recorded using the current methodology, first adopted in January 1970. (Using a different method of calculation, jobless rates below 4 percent were estimated in the late 1960s—at the height of the Vietnam War—and in the late 1950s, when labor force participation was much lower than in recent years.)

Construction and Real Estate

Construction was the fastest-growing industry in 1999, as measured by employment gains. Strong increases in the dollar value of construction are reflected in the 11 percent jump in industry jobs last year. A total of 68,000 construction jobs was created in 1999, mostly in special trades.

Nonresidential Construction

Nonresidential construction continued to advance strongly in 1999, with permit values rising over 10 percent—the fourth consecutive year of double-digit gains. Total nonresidential construction value increased more than $1.5 billion, to $16.5 billion. Much of this increase was accounted for by increased additions and alterations, which rose nearly $1 billion or 18 percent. Among categories of new construction, commercial activity rose 4 percent, led by a 14 percent increase in retail stores (including service stations). Retailing edged out office construction, which was essentially flat last year, to become the leading segment of commercial activity. Industrial construction, which jumped over 50 percent in 1998, posted a 9 percent decline—in part reflecting export-related softness in manufacturing activity.

Residential Construction

The number of housing units authorized by building permits increased 11 percent last year to just under 140,000 units. Single-family housing permits totaled 101,691 units, an 8 percent increase over 1998. Multi-family construction rose sharply for the second year in a row, increasing over 20 percent in 1999. Recent large percentage gains follow a prolonged slump in apartment construction. In 1985, over 58 percent of the 263,000 new home construction permits were for multi-family units. This proportion fell precipitously to 17.5 percent in 1993 and has been rising gradually ever since. In 1999, 27.8 percent of the residential units permitted were multi-family structures.

Measured by total construction value, residential construction increased almost 17 percent in 1999. Since the number of units permitted increased 11 percent, a large part of the increase in total value is the result of rising prices reflecting increased concentration on the high-end housing market.

FIGURE III-04

CONSTRUCTION ACTIVITY BY TYPE OF PROJECT
(Dollars in Millions)

	1998	1999	Percent Change
TOTAL BUILDING CONSTRUCTION	**36,951.5**	**42,166.8**	**14.1**
Residential	**21,975.6**	**25,677.1**	**16.8**
Single-Family Structures	16,645.3	19,179.7	15.2
2-4 Unit Structures	427.1	392.3	-8.2
5-or-more Unit Structures	2,086.6	2,779.0	33.2
Alterations & Additions	2,816.6	3,326.2	18.1
Nonresidential	**14,976.0**	**16,489.8**	**10.1**
Commercial	5,419.3	5,639.0	4.1
Office Buildings	1,922.6	1,903.8	-1.0
Stores & Mercantile	1,893.4	2,150.5	13.6
Hotels & Motels	516.8	565.2	9.4
Amusements & Recreation	526.4	493.7	-6.2
Parking Garages	494.2	450.4	-8.9
Service Stations	65.8	75.4	14.5
Industrial	2,466.5	2,251.3	-8.7
Other	1,782.3	2,341.4	31.4
Alterations & Additions	5,307.9	6,258.1	17.9

Source: Construction Industry Research Board
Dated: January 31, 2000

Residential Real Estate

Despite rising mortgage interest rates and deteriorating home affordability, California's real estate industry prospered in 1999, with existing home sales reaching a record 669,545 units according to the California Association of Realtors. The proportion of repeat homebuyers rose sharply to the highest level in more than a decade. As evidence of the intensity of the market, one-third of homes sold received multiple offers. Migration patterns helped boost demand as the proportion of buyers moving to California increased and the proportion of sellers moving out of the state fell sharply. Wealth gains from the stock market also played a more important role in home buying/selling decisions in 1999.

The median price of an existing, single-family detached home topped $221,500 in 1999, up almost 11 percent from 1998's $200,100. This is the largest annual increase since 1989 and represents the highest statewide median price ever recorded. Extensive job growth and limited building activity led Santa Clara County to record the highest median home price in the state and the nation. By the end of 1999, the median single-family home price in Silicon Valley, reached $427,400, a 15.5 percent increase over the December 1998 level.

The scarcity of affordable housing presents an increasingly serious problem, especially in the coastal regions of the state. Access to affordable housing is a key element for sustained economic growth and job creation. According to the California Association of Realtors, escalating home prices and rising mortgage interest rates drove down the state's home affordability rate from 40 percent of households in 1998 to 37 percent in 1999—the lowest rate since 1992 and the largest year-to-year drop since 1989. In contrast to California's 37 percent affordability reading, nationwide about 55 percent households can afford to buy a median-priced home, assuming a 20 percent down payment and the prevailing mortgage interest rate. In 1999, eight of the nation's ten most expensive and least affordable metropolitan housing markets were in California.

MANUFACTURING

The lingering affects of the Asian economic downturn contributed to the first decline in manufacturing employment in California since 1994. Until last year, California had bucked the national trend of steadily declining factory employment, but in 1999 the combination of weak overseas markets, continued cutbacks in high-technology defense and space spending,

FIGURE III-05

MANUFACTURING EMPLOYMENT

	Employment	Percent Change	
	1999	1997-98	1998-99
TOTAL MANUFACTURING	**1,922,800**	**1.9**	**-1.4**
Durable Goods	**1,202,900**	**3.2**	**-2.1**
Lumber & Wood Products	61,200	3.5	4.6
Furniture & Fixtures	60,600	7.7	2.5
Stone, Clay, & Glass	48,700	2.8	2.5
Primary Metals	34,300	0.9	-1.7
Fabricated Metal Products	127,200	3.5	-1.2
Industrial Machinery	225,900	2.7	-2.8
Electronic Equipment	260,300	3.2	-3.3
Transportation Equipment	161,600	3.3	-4.1
Instruments & Related Prod	174,600	2.0	-4.3
Miscellaneous Manufacturin	48,400	5.8	1.9
Nondurable Goods	**720,000**	**-0.2**	**-0.3**
Food & Kindred Products	183,300	-0.2	2.1
Textile Mill Products	26,800	7.7	5.9
Apparel & Other Textile Pro	144,100	-4.1	-3.7
Paper & Allied Products	39,400	-1.5	-1.5
Printing & Publishing	149,900	1.5	-1.3
Chemicals & Allied Products	79,100	5.5	5.6
Petroleum & Coal Products	18,400	-2.9	-7.5
Rubber & Misc. Plastics Pro	72,300	-1.8	-2.7
High Technology*	*513,000*	*2.4*	*-3.8*
Aerospace	*161,100*	*2.1*	*-6.1*
Electronics	*351,900*	*2.6*	*-2.8*

* Derived by using a combination of high technology SIC codes from above sectors.

Source: California Employment Development Department

and more intense foreign competition resulting from the strong dollar, all combined to dampen manufacturing activity in the state. Still, California faired slightly better than the rest of the nation. While California manufacturing jobs declined 1.4 percent, national manufacturing employment dropped 1.8 percent in 1999.

Durable Goods

Durable manufacturing declined 2.1 percent in 1999, with the drop concentrated in the state's high-technology industries. On the other hand, strong construction growth, boosted jobs in building-related manufacturing. Lumber and wood products jumped 4.6 percent adding 2,700 jobs. Furniture and fixtures grew 2.5 percent. Stone, clay and glass manufacturing grew 2.5 percent based largely on a 1,300 jump in concrete, gypsum, and plaster production. Fabricated metal product manufacturing dropped 1.2 percent, despite a 1,900-job gain in construction-related structural metal jobs.

High Technology

High technology electronics and aerospace industries account for nearly half of California's durable goods manufacturing jobs. Electronics employment growth has been substantial during the state's current economic recovery. Aerospace employment, in contrast, has shown no sustained recovery from the steep declines of the early 1990s. Much of this loss was the result of Department of Defense budget reductions rather than from typical business cycle factors.

Aerospace

A 2.1 percent employment gain in 1998 was reversed in 1999 as aerospace manufacturing—which incorporates aircraft and aircraft parts, missiles and space vehicles, and search and navigation instruments—lost 10,400 jobs in 1999 for a 6.1 percent loss.

Several factors contribute to the continued weakness in aerospace employment:

- The consolidation of McDonnell Douglas and Rockwell International into Boeing Aircraft has led to the elimination of redundant positions in the Southern California area, as production has been consolidated elsewhere and duplicate management and engineering activities were eliminated.
- Asian airlines cancelled and scaled back orders for new aircraft in the face of diminished passenger demand resulting from the Asian recession.
- The current production runs of several major aircraft projects including the Boeing MD-80, MD-90 and B-2 are nearing completion.

Electronics

Although there were job losses in the electronics sector, the outlook has improved in recent months. High technology exports increased nearly six percent for the full year 1999, and jumped nearly 15 percent on a fourth quarter-to-fourth quarter basis. After adding 9,100 jobs in 1998, a total of 10,100 was lost in 1999.

To a considerable degree, the distinction between high-technology manufacturing and services is becoming blurred. While high-tech manufacturing lost 21,000 jobs last year, computer programming and related services added over 35,000 new jobs. Thus, taken together, the high-technology goods and services industries continued to grow in 1999.

Nondurable Goods

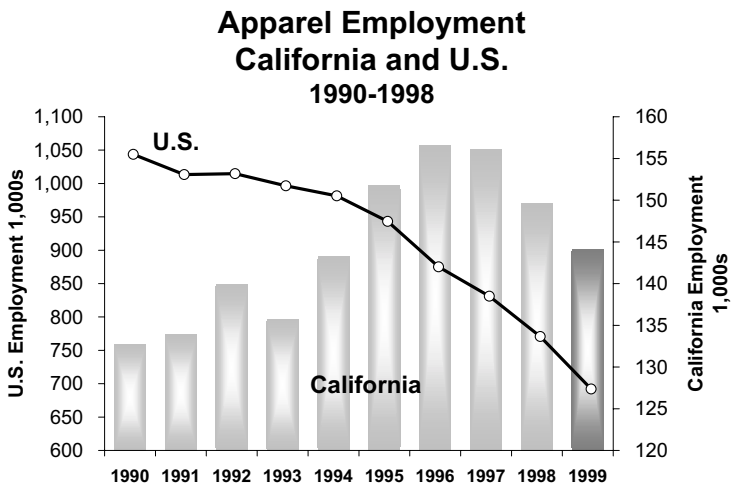
Non-durable manufacturing, which is dominated by the food processing, apparel and textile, and the printing and publishing industries, was essentially stable in 1999, with employment down 2,300 jobs or 0.3 percent.

Food processing, which represents one quarter of non-durable manufacturing employment, grew by 2.1 percent from the addition of 3,700 jobs. This growth was led by a 1,900-job (5.5 percent) gain in the population-serving beverage industry.

Apparel

Apparel and other textile product manufacturing has been a bright star in California manufacturing in the 1990s. While national apparel employment declined steadily, this state's employment increased through 1997, and California became the nation's leading clothing manufacturer. Although the California apparel industry lost 5,600 jobs in 1999, the 3.7 percent decline was far less than the nation's 10.3 percent drop. Thus, California's share of the national apparel industry continued to rise, reaching 21 percent last year, up from 13 percent as recently as 1990.

FIGURE III-06



Apparel manufacturing in California and nationally has been affected by low-wage foreign competition and more intense workplace regulation in recent years.

The decline in apparel employment was cushioned in part by the continued success of the state's knitting mills, which is closely related to the state's huge women's apparel industry. Textile mill products posted a strong advance of nearly 6 percent—1,500 jobs—in 1999, with nearly all of the growth in knitting mill employment Nationally, in a dramatic contrast to California, textile mill employment declined by 6.1 percent last year.

California's printing and publishing industry followed two years of substantial growth with a 1,900-job loss in 1999. Commercial printers—a category that includes lithographic, offset, photo-offset, and photolithographic printers of calendars, maps, posters, and decals—lost 1,700 jobs in 1999. This industry, though, has added 2,600 jobs since 1994. Newspapers, which have been steadily shedding jobs since 1990, increased employment in both 1998 and 1999.

The state's chemical product industry added 3,900 jobs in 1999 for a 5.6 percent jump. Drug production—which accounts for over 45 percent of chemical employment—added 3,600 jobs, probably in part reflecting the success of the state's biotechnology industry. Plastic and paint production grew 11.4 and 4.1 percent respectively. Industrial chemicals and soaps declined 11.9 and 2.2 percent, respectively. Agricultural chemicals held steady.

FIGURE III-07

TRANSPORTATION & PUBLIC UTILITIES EMPLOYMENT

	Employment	Percent Change	
	1999	1997-98	1998-99
TOTAL TRANSPORTATION & PUBLIC UTILI	**718,900**	**4.8**	**3.4**
Transportation	458,800	4.1	3.3
Railroads	14,100	-1.4	1.4
Local & Interurban Pass. Trans.	46,700	4.1	3.3
Trucking & Warehousing	172,500	4.2	5.3
Water Transportation	23,700	9.3	12.3
Air Transportation	138,700	4.4	1.8
Other Transportation	63,100	2.9	-1.4
Communications & Public Util.	260,100	5.9	3.5
Communications	179,600	8.8	5.8
Electric, Gas & Sanitary Service	80,500	0.5	-1.2

Transportation and Utilities

The transportation, communications and utilities industries grew by 3.4 percent, or 23,500 jobs in 1999. This growth was relatively balanced between the transportation and communication sectors. Most of the transportation growth was in trucking and warehousing, as might be expected given the strong growth of consumer spending in 1999.

All of the growth in the communications and utilities sector came from the expansion of local telecommunication companies, both traditional and wireless. This is the third year of communications employment growth after a long slide that began in the early 1880s, following the breakup of AT&T and subsequent industry deregulation. Increased telecommunications demand—much of it generated by the Internet—is boosting the traditional industry, while the smaller wireless segment continues to grow rapidly.

Since 1994 a more competitive telecommunications regulatory environment—in which exclusive franchises can be exchanged for more flexibility in pricing and product offerings—has led to the expansion of the number of active local carriers in the state from about 20 in 1994 to 200 in 1998. In addition to increasing their numbers, these carriers, in the face of stiffer competition, have also adopted more aggressive marketing strategies—mainly targeting lucrative commercial accounts—that necessitate larger marketing staffs.

Conversely, more competition in the energy market has led to restructuring in utility production and distribution companies. This has kept downward pressure on payroll employment growth in this industry. Essentially, the electrical utility industry is now undergoing the adjustment faced by the telephone sector in the early 1990s.

FIGURE III-08

FINANCE, INSURANCE & REAL ESTATE EMPLOYMENT

	Employment	Percent Change	
	1999	1997-98	1998-99
TOTAL F.I.R.E.	**821,500**	**5.4**	**2.8**
Finance	**397,500**	**6.5**	**1.9**
Depository Institutions	205,400	-0.7	-1.1
Nondepository Institutions	88,700	24.7	3.9
Security & Commodity Brok	67,200	8.6	8.4
Holding & Investment	36,300	11.4	3.4
Insurance	**222,800**	**6.1**	**2.2**
Insurance Carriers	138,900	7.8	3.4
Insurance Agents & Brokers	83,900	3.5	0.1
Real Estate	**201,200**	**2.5**	**5.2**

Finance, Insurance and Real Estate

Employment in the finance, insurance, and real estate industries rose by 2.8 percent in 1999, adding 22,100 jobs, following 1998 growth of 5.4 percent, or 41,100 jobs. There were gains in all industry sectors except banking. Since 1990, the reduction in banking employment—68,800 jobs—has been more than offset by an increase of 75,000 jobs in other financial service industries. Rising stock prices, home mortgage refinancing, and resurgent real estate markets are driving growth in non-depository credit institutions, brokerages, and holding and investment (mutual fund) companies.

Banking

Employment by banks and savings institutions—together known as depository institutions—continued to slide in 1999, trimming payrolls by 2,200 jobs. This extended decline is due to many factors including bank mergers, the delayed effects of deregulation, and technological innovation that allows banks to reduce staff and consolidate

branches. Major recent developments for California banking were the mergers of Bank of America into Nations Bank, with headquarters moving to North Carolina, and Wells Fargo Bank with the Norwest Corporation. In the latter case, the merged Wells Fargo's headquarters will remain in San Francisco, but substantial administrative activity is being consolidated in Minneapolis. Seattle area based Washington Mutual Bank has purchased several major California savings and loans in recent years, including the industry's largest, Home Savings, as well as Great Western and American Savings

Non-depository Credit Institutions

Following a 24.7 percent surge in 1998, credit institutions added 3,300 jobs in 1999 for a growth rate of 3.9 percent. The turnaround in interest rates in 1999 has reduced mortgage refinancing activity, which rocketed in 1998, and has thus slowed growth in credit agencies, mortgage banks, and loan brokers. At the same time, sub-prime lenders have faced higher than expected losses and some are cutting back new lending activity.

Security and commodity brokerages expanded their payrolls at a strong 8.4 percent rate, nearly matching the 8.6 percent rise in 1998. Holding and investment companies (largely mutual funds) added 1,200 jobs for a 3.4 percent growth rate—much slower than 1998's 11.4 percent jump.

Insurance

Insurance employment increased 4,700 in 1999 for the third successive annual increase, although at a more modest rate than the 6.1 percent growth in 1998. This is good news for an industry that experienced significant downsizing and reductions in the early 1990s due to natural disasters and a more restrictive regulatory environment.

Real Estate

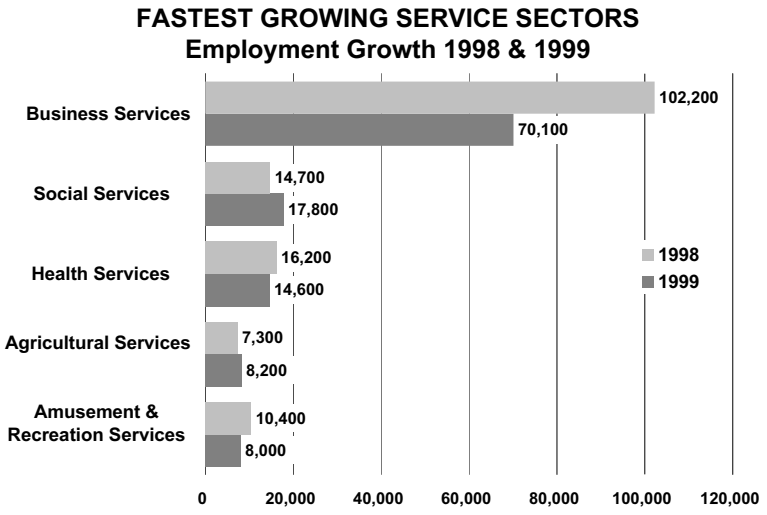
Real estate employment increased by nearly 10,000 jobs, or 5.2 percent, in 1999—more than double the 4,700, or 2.5 percent, job gain in 1998. This growth responds to the record high home sales and prices seen in 1999. California home sales increased over 6 percent in 1999 while the median single-family home price rose by nearly 11 percent.

Services

Service industries continue to be the leading source of job growth in California. In 1999, service employment increased by over 153,000, a 3.6 percent gain. Services accounted for more than 40 percent of all nonfarm jobs created in 1999. Total employment in services reached 4.3 million, and now accounts for over 31 percent of total nonfarm employment.

Service sector industries include an extremely broad array of activities, from entertainment and recreation to professional services such as medical care and law, to repairs, building maintenance and landscaping.

FIGURE III-09



Business Services

Employment by firms that provide services to other businesses accounts for over one quarter of service sector employment and was responsible for almost half of service employment growth overall. In 1999, business service employment expanded by 70,100 for a 6.1 percent growth rate.

California's strong economic growth overall, the tremendous growth of multimedia, and the expanded need for software services in response to Y2K concerns all contributed to this sector's growth. Over half of business service growth came from computer programming and services firms, which expanded almost 15 percent, adding more than 35,000 new jobs. Within this industry, information retrieval—the Internet—jumped 75 percent, adding more than 14,000 jobs.

Social Services

Social service firms supply a wide variety of services from individual and family counseling, to job training and vocational rehabilitation, to child and adult care. This group was the second fastest growing industry in the service sector, accounting for over 11 percent of overall service employment growth in 1999. This industry expanded by 17,800 jobs in 1999 for a growth rate of 6.9 percent. Within the social service sector, individual and family social service firms and residential care firms are the leading employers, accounting for 27 and 30 percent of total employment respectively. Child day care firms account for 20 percent.

Health Services

Representing almost 21 percent of total service sector employment, health services added 14,600 jobs in 1998. The industry's year-over-year 1.6 percent growth rate is slightly slower but still consistent with the rate posted for the four previous years. The dominant source of this growth is hospital employment, which reflects increasing demand for medical services (resulting from an aging population) offset by the effects of industry restructuring to promote efficiency and to minimize hospital stays.

Motion Pictures

Motion picture employment enjoyed healthy and sustained growth from 1993 through 1997—adding an average of 12,200 jobs per year. Growth continued in 1998 and 1999 but at a slower pace. Employment in this industry grew by 3,100, or 1.6 percent in 1999. Rising production costs and limited profits (and in some cases, loses) from some recent major films have prompted the major studios to severely cut back the number of feature film projects underway, as well as to impose stricter cost controls on films that are made. There is also evidence that lower-budget projects are seeking lower costs—and in some cases subsidies—in other areas of the world.

FIGURE III-10

SERVICES EMPLOYMENT

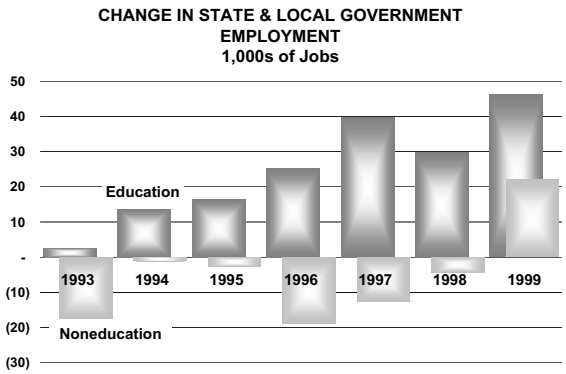
	Employment	Percent Change	
	1999	1997-98	1998-99
TOTAL SERVICES	**4,377,900**	**4.9**	**3.6**
Hotels & Other Lodging Places	192,300	0.5	3.1
Personal Services	121,000	1.0	2.4
Business Services	1,215,200	9.8	6.1
Personnel Supply	449,500	NA	3.8
Computer Prog. & Related Serv	278,400	NA	14.6
Other Business Services	487,400	NA	3.9
Auto Repair & Parking	161,500	3.2	4.5
Miscellaneous Repair Services	43,700	-1.8	-0.9
Motion Pictures	193,300	3.8	1.6
Movie Production	148,200	4.2	0.7
Other Motion Pictures	45,100	2.1	4.9
Amusement & Recreation Serv.	208,100	5.5	4.0
Health Services	912,900	1.8	1.6
Legal Services	120,900	1.7	1.5
Private Educational Services	208,200	4.6	2.3
Social Services	277,200	6.0	6.9
Museums, Bot., Zoological Garde	11,300	8.4	9.7
Membership Organizations	161,500	3.7	1.8
Engineering & Management	440,000	4.2	1.4
Miscellaneous Services	6,500	6.9	4.8
Agricultural Services	104,300	8.2	8.5

FIGURE III-11

GOVERNMENT EMPLOYMENT

	Employment	Percent Change	
	1999	1997-98	1998-99
TOTAL GOVERNMENT	**2,234,600**	**1.2**	**3.2**
Federal Government	**267,600**	**-4.3**	**-1.8**
Department of Defense	66,100	-8.9	-9.5
Other Federal Government	201,400	-2.4	1.0
State & Local Government	**1,967,000**	**2.0**	**3.9**
State Government	**429,200**	**1.2**	**3.9**
State Education	189,300	2.9	3.6
Other State Government	239,900	-0.1	4.2
Local Government	**1,537,800**	**2.3**	**3.9**
Local Education	883,500	3.0	4.7
County Government	303,700	2.9	4.1
City Government	245,400	0.8	1.7
Other Local Government	105,200	-2.1	1.6

FIGURE III-12



Government

Government employment continued to grow, driven by increasing local education employment. State, local and federal government payrolls increased 68,500 in 1999, for a 3.2 percent growth rate. Local education employment, continuing to reflect the state's class size reduction program, rose by 39,700 or 4.7 percent. Employment at state level educational institutions increased 6,600, or 3.6 percent. Noneducation employment at all levels of government, after falling by 4,300 in 1998, rose by 22,200 in 1999—the first gain since 1992.

State government employment increased by 16,200, or 3.9 percent. After three years of falling employment, state noneducation payrolls rose by 9,600. County governments added 11,900 jobs—the largest annual increase since 1990. City government employment posted a modest gain of 4,000 jobs. Federal government employment in California posted a ninth consecutive decline employment, dropping by 4,900 or 1.8 percent in 1999.

Travel and Tourism

California's multi-billion dollar travel industry is a vital part of the state and local economies. The travel and tourism industry consists primarily of retail and service firms, including lodging establishments, restaurants, retail stores, gasoline service stations, and other types of businesses that sell goods and services to travelers.

Travel spending in California is estimated to have reached $67.9 billion in 1999—a 5.4 percent increase from 1998. According to the California Trade and Commerce Agency, travel expenditures provided jobs for 695,000 Californians—a 1.6 percent year-over-year increase—and produced $13.8 billion in payroll income in 1999, for a 5.1 percent gain. Travel spending also contributed significantly to state and local governments during 1999, with an estimated $2.9 billion generated in state tax revenues and $1.6 billion in local tax revenues. State and local tax revenues from travel spending increased 3.6 and 6.6 percent, respectively, during 1999.

Personal Income and Inflation

Strong income growth and moderate inflation combined to produce significant purchasing power gains for Californians in 1999. Last year, real personal income—adjusted by the California consumer price index—increased an estimated 5 percent. This marks the sixth consecutive year of purchasing power growth, and the biggest gain since 1984.

Personal Income

California personal income reached $989.7 billion in 1999 and, in the first quarter of 2000 was running at a $1 trillion annual rate. Last year's 7.5 percent growth rate was the largest in 9 years, representing an income gain of more than $69 billion. (Please see *"Personal Income Revisions" following.)*

FIGURE III-13

CALIFORNIA PERSONAL INCOME AND INFLATION
Annual Percent Change

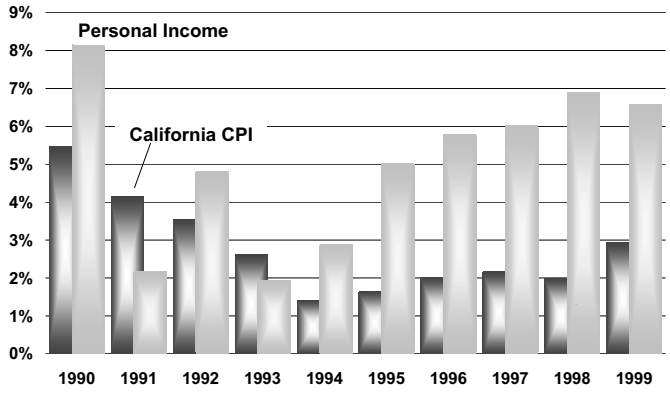


FIGURE III-14

CALIFORNIA PERSONAL INCOME, 1998 and 1999

	1998		1999*	
	$ billions	Percent Change**	$ billions	Percent Change**
TOTAL PERSONAL INCOME	**920.5**	**6.7**	**989.7**	**7.5**
Wages and Salaries	517.9	563.9	563.9	8.9
Other Labor Income	61.4	4.2	66.1	7.7
Proprietors' Income	97.9	5.3	107.6	9.9
Farm	3.8	(15.9)	3.7	(1.8)
Nonfarm	94.2	6.3	103.9	10.3
Property Income	172.7	4.9	183.1	6.0
Dividends	41.1	5.1	43.7	6.4
Interest	105.3	4.3	110.4	4.8
Monetary	60.1	4.0	63.0	4.8
Rent	26.3	6.6	29.0	10.3
Transfer Payments	109.4	2.6	111.1	1.5
Less: Contributions for Social Insurance	39.0	7.3	42.1	8.0
Plus: Residence Adjustment	0.1	8.0	0.2	12.4

** Percent changes calculated from unrounded data.

Source: California Department of Finance and U.S. Dept. of Commerce, Bureau of Economic Analysis

The largest component of personal income—wages and salaries—advanced 8.9 percent, more than three-times the rise in wage and salary employment. Over the last year, wage growth has been boosted by substantial gains on stock options, which are especially common in California's high-technology industries. In particular, option gains associated with initial public offerings (IPOs) appear to have been quite large in 1999.

Among industries, wage increases were led by construction, which increased at a robust 15 percent rate, reflecting a strong employment gain of just over 11 percent. Wages in the transportation and utility segment surged over 16 percent, on job growth of less than 3 percent. Service wages also posted a notable advance of 10 percent, reflecting increased employment in the high-wage computer services industries.

Nonfarm proprietors' income (from unincorporated business) jumped 10 percent last year. Farm incomes declined slightly, reflecting slack overseas demand and poor growing conditions early in the year. Property income (dividends, interest and rent) growth accelerated to 6 percent in 1999.

FIGURE III-15

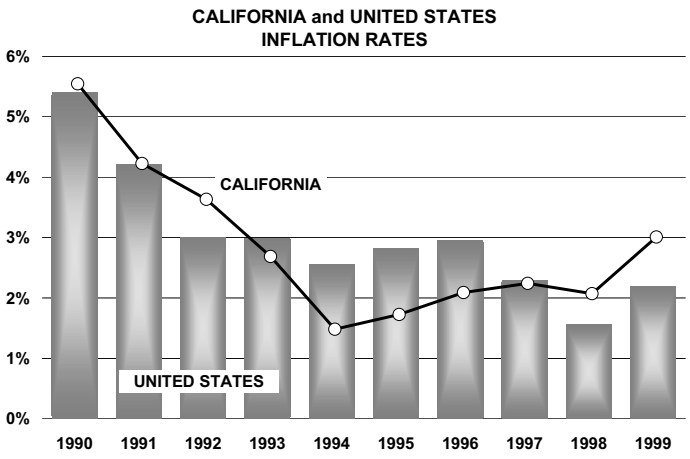


FIGURE III-16

CONSUMER PRICE INDEXES
December 1999
(1982-84=100)

	U.S.		Los Angeles Metro. Area		San Francisco Bay Area	
	CPI	Percent Change Yr-Over-Yr	CPI	Percent Change Yr-Over-Yr	CPI	Percent Change Yr-Over-Yr
ALL ITEMS	**168.3**	**2.7%**	**167.3**	**2.3%**	**174.5**	**4.2%**
Food	165.4	1.9%	168.2	0.8%	172.3	1.7%
Food Away from Home	166.8	2.3%	156.9	1.1%	168.9	2.6%
Housing						
Rent of Primary Residence	180.3	3.1%	172.8	3.4%	220.3	6.9%
Homeowners' Equivalent Rent	195.2	2.4%	188.9	2.9%	229.9	5.6%
Fuel and Utilities	129.6	2.4%	144.9	0.1%	146.5	2.3%
Household Furnishings & Operations a/	126.4	-0.2%	123.2	-1.2%	128.4	7.4%
Apparel	130.1	-0.5%	113.6	-2.4%	112.9	1.5%
Transportation	148.3	5.4%	148.6	3.3%	136.6	4.2%
Gasoline	111.5	30.1%	104.3	15.9%	114.2	23.2%
Medical Care	254.2	3.7%	248.1	2.9%	237.3	3.6%
Recreation b/ d/	102.0	0.8%	104.1	2.3%	93.8	-2.6%
Education & Communication c/ d/	102.3	1.6%	100.1	1.1%	106.4	3.2%
Other Goods & Servs.	263.0	5.1%	278.4	7.0%	282.0	8.5%
Special indices:						
Energy	112.2	13.4%	116.1	7.5%	125.7	12.8%
All Except Food and Energy	178.2	1.9%	174.1	2.3%	181.9	4.3%

a/ Change from Housefurnishings
b/ New series, replaces Entertainment
c/ New BLS Series
d/ Base = Dec. 1997

Source: U.S. Department of Labor, Bureau of Labor Statistics

Low Inflation

Despite the strength of the state's economy in 1999 and the dramatic turn-around in oil prices, inflation remained relatively subdued. The Consumer Price Index (a population-weighted average of the five-county Los Angeles Area and 10-county San Francisco area indexes) rose 2.9 percent in 1999. This is almost a full percentage point faster than the 1998 rate, and somewhat higher than the nation's modest 2.2 percent increase. This acceleration was primarily the result of rising oil prices that caused significant increases in fuel and transportation costs, principally gasoline.

While price inflation was modest for the state as a whole, there was a notable contrast between the state's two largest metropolitan areas. Inflation was more restrained in the Los Angeles area than in the San Francisco Bay Area—2.3 percent versus 4.2 percent.

Accelerating energy and housing related costs appear responsible for the difference. Housing costs rose about three percentage points faster in the San Francisco Bay Area than in Los Angeles. Gasoline price inflation in the Bay Area was over seven percentage points higher than in the south state, but was still about seven percent lower than for the nation as a whole. (In absolute terms, gasoline prices throughout California have been higher than the national average, due to the state's unique air quality standards and the cost of importing gasoline from outside the state when local refinery output is interrupted. There are only three refineries in the world outside California that are capable producing gasoline to the state's specifications.)

Inflation in the Los Angeles metropolitan area was slightly lower than the national rate. The prices of food, energy, housing, apparel, transportation, medical care and educa-

FIGURE III-17

Personal Income Revisions

Recently, the U.S. Department of Commerce, Bureau of Economic Analysis released revised state income estimates that reflect the last "Comprehensive Revision" of the National Income and Product accounts. The most significant change was to make the treatment of government pensions consistent with that of private pensions. Instead of treating government pension payouts as government transfer payments, ignoring employer contributions, and counting employee contributions as contributions for social insurance, the new series counts pension fund earnings as property income, counts employer contributions as other labor income (employee benefits) and ignores employee contributions.

Personal income estimates for 1997—the latest year for which comparable old and revised income estimates are available—were revised up by $16.7 billion—or 2.0 percent. Total personal income growth in 1997 was revised up 0.2 percent—from 6.0 percent to 6.2 percent.

1997 California Personal Income
May 2000 Revision

	Total $Billions	Revision $Billions	%
Total Personal Income	862.8	16.7	2.0
Total Wages and Salaries	475.8	0.6	0.1
Other Labor Income	58.9	12.1	25.9
Proprietors' Income	93.0	7.5	8.8
Farm	4.5	1.5	49.2
Non-Farm	88.6	6.0	7.3
Dividends, Interest, & Rent	164.7	12.5	8.2
Transfer Payments	106.6	(21.4)	(16.7)
Contributions for Social Ins.	36.4	(4.4)	(10.9)
Residence Adjustment	0.1	1.0	NA

A more complete description of these revisions appears in the July-August 2000 issue of *California Economic Indicators*, which can be obtained at www.dof.ca.gov/html/fs_data/indicatr/ei_home.htm.

tion and communication services rose at a slower rate than the U.S. average. Household furnishing and apparel costs fell in 1999. Nationally, gasoline prices jumped more than 30 percent while in Los Angeles they increased about half as much.

Regional Outlook

There are four different regions that encompass the bulk of California's economic activity: Southern California, the San Francisco Bay Area, the Central Valley, and the Sacramento region. Each has a distinctive economic base that gives it a unique growth pattern and outlook.

Southern California

Southern California's strong growth reflects an extensive economic transition. This area was the hardest hit by the 1990s recession but has now regained all the lost jobs, with most areas achieving new record levels of employment. The economic base of the region is changing substantially. Southern California's reliance on aircraft and defense industries has been drasti-

FIGURE III-18

COMPARISON OF REGIONAL ECONOMIC ACTIVITY

Metropolitan Area	Unemployment Rate 1999	Nonfarm Job Growth 1998 %	1998 Jobs	1999 %	1999 Jobs	Construction Activity* Pct. Chg. 1998-99 Residential Units	Nonresidential Value
Southern California							
Los Angeles	5.9%	2.0%	78,400	1.6%	61,800	21.1%	16.8%
Orange County	2.6%	5.3%	65,300	3.5%	46,000	21.2%	4.5%
Riverside-San Bernardino	5.1%	4.8%	40,800	5.8%	51,400	16.9%	10.5%
San Diego	3.1%	4.9%	51,300	4.0%	44,700	34.9%	10.3%
Ventura	4.8%	4.0%	9,700	4.2%	10,600	39.6%	25.9%
San Francisco Bay Area							
Oakland	3.3%	3.0%	28,400	3.5%	33,700	-13.0%	-11.1%
San Francisco	2.4%	2.9%	28,800	3.0%	30,800	4.1%	32.6%
San Jose	3.0%	3.2%	29,700	1.3%	12,500	-6.4%	-1.4%
Central (San Joaquin) Valley							
Bakersfield	11.3%	2.8%	5,100	2.3%	4,200	-8.1%	-37.0%
Fresno	13.2%	1.7%	4,800	3.2%	9,000	-0.3%	34.4%
Modesto	10.5%	4.2%	5,500	3.1%	4,200	6.7%	-11.8%
Stockton-Lodi	8.7%	2.4%	4,100	4.0%	6,800	26.3%	28.4%
Sacramento Region							
Sacramento	4.0%	4.3%	26,800	5.3%	34,800	6.6%	9.0%
CALIFORNIA	5.5%	3.6%	466,400	2.8%	376,100	11.0%	10.1%

* Source: Construction Industry Research Board

cally reduced, and the region's economy is now built upon established and emerging industries with excellent future prospects, including electronics, biotechnology, motion pictures, entertainment, professional services, apparel, textiles and furniture.

Los Angeles Metropolitan Area

This is the state's largest metropolitan area and, as would be expected, created the greatest number of jobs in 1999. Nonfarm employment grew by 61,800 jobs, or 1.6 percent from 1998. Nonetheless, the total remained nearly 128,000 shy of the 1990 peak. Residential construction jumped by over 21 percent while nonresidential construction value increased by 16.8 percent from the previous year.

Orange County

The southern neighbor to Los Angeles had the second lowest unemployment rate—2.6 percent—among the major metropolitan areas in 1999, just above San Francisco's 2.4 percent. Employment growth was also one of the strongest, adding 46,000 new jobs last year. The construction picture was mixed, however. In contrast to 1998 when residential construction fell, in 1999 new housing permits increased 3.5 percent. Following a nonresidential construction boom in 1998—when permit values surged over 40 percent—growth in 1999 was a moderate 4.5 percent.

Riverside-San Bernardino Metropolitan Area

The "Inland Empire" posted the highest job growth of any California metropolitan area last year, up 5.8 percent following 1998's 4.8 percent gain. The two-county area also recorded very healthy residential and nonresidential construction growth—up 16.9 percent for new housing units and 10.5 percent in nonresidential activity. To some extent, this growth reflects a spillover effect of the strong employment growth in neighboring areas such as Orange and San Diego counties.

San Diego County

Home building began to catch up with strong employment growth in the state's southernmost county in 1999. Strong job growth, 4.9 percent in 1998 and 4.0 percent in 1999, coupled with a low unemployment rate—3.1 percent in 1999—created a residential construction boom. Residential permits leaped almost 35 percent and nonresidential construction grew by 10.3 percent.

Ventura County

Nonfarm employment grew by 10,600 jobs or 4.2 percent in 1999, and the unemployment rate averaged 4.8—down from 5.6 percent the year before. Although much smaller in scale than other Southern California counties, Ventura County had the strongest construction growth rate of all of the Southern California metropolitan areas. Residential units authorized for construction increased 39.6 percent over the 1998 rate and nonresidential permitted value increased 25.9 percent. The surge in new home construction in part reflects the passage of an initiative that may limit future development in the county.

San Francisco Bay Area

The region's economy is based on several of the nation's most dynamic and profitable industries and enjoys the highest per capita and average household incomes in the state. High technology manufacturing, computer services (including multimedia, software and internet services), and biotechnology are among the area's key basic industries. These industries are yielding historic levels of wealth creation. One illuminating fact is that companies in this area received about 30 percent of the *entire nation's* venture capital investment in 1999—$16.2 billion or about the equivalent of $2,000 for every person in this region. Given the attractiveness of these industries and this region, its long-range prospects remain quite favorable, despite the slowing in electronics manufacturing associated with Asia's economic problems. However, rapidly rising living costs, due to a growing shortage of housing, pose a major risk to the region's economic outlook.

Oakland Metropolitan Area

As in the rest of the San Francisco Bay Area, Oakland (including Alameda and Contra Costa counties) enjoys a low unemployment rate—3.3 percent in 1999—which is more than two full percentage points below the overall state rate. In spite of strong nonfarm employment job growth—3.5 percent—in 1999, construction activity slowed noticeably. Authorized residential units fell 13 percent and nonresidential construction dropped more than 11 percent from 1998 levels.

San Francisco Metropolitan Area

This three-county region (Marin, San Francisco, and San Mateo) had the state's lowest regional unemployment rate, 2.4 percent. Marin County consistently had the state's lowest county unemployment rate throughout 1999, averaging 1.9 percent—down from 2.3 percent in 1998. In a turn-about from 1998 when residential construction boomed and nonresidential fell, 1999 home building grew a modest 4.1 percent and nonresidential construction expanded by nearly 33 percent.

San Jose Metropolitan Area

The combined effects of weak exports to Asia and skyrocketing housing costs led Santa Clara County—Silicon Valley—to a substantial slowdown in job creation in 1999. However, the diversity of high technology industries was evidenced by the fact that losses in computers and electronic equipment—the Valley's mainstay industries—were essentially offset by increasing business services employment, which includes computer programming and personnel supply services. The growth of nonfarm employment was more than cut in half—falling to 1.3 percent from 1998's 3.2 percent. This is also a dramatic drop from the 5.8 percent growth recorded in 1996. Even though last year's total industry employment rose only 12,500, the year-over-year growth rate improved as the year progressed. Improving Asian economic conditions, and a year-end pick up in exports to Pacific Rim destinations, provide grounds for optimism for the year ahead.

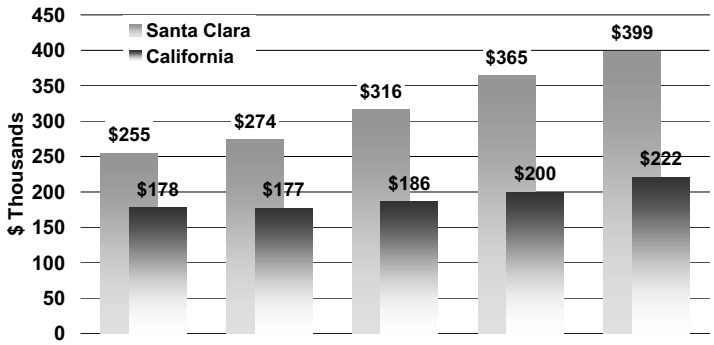
FIGURE III-19

TECHNOLOGY RELATED EMPLOYMENT GROWTH
SAN JOSE MSA

	Job Growth	Percent Change	
	1999	1997-98	1998-99
TOTAL NONFARM	**12,500**	**3.2%**	**1.3%**
High Technology Manufacturing	**(7,800)**	**3.1%**	**-4.1%**
Computer & Office Equipment	(1,100)	3.3%	-2.0%
Other Industrial Machinery	(2,000)	3.6%	-11.7%
Communications Equip. & Electronic Components	(2,800)	2.9%	-3.2%
Measuring & Control Devices	(1,900)	2.9%	-6.6%
Business Services	**7,700**	**8.0%**	**5.9%**

FIGURE III-20

CALIFORNIA & SANTA CLARA HOME PRICES
Median Price of Single Family Homes



Source: California Association of Realtors

Construction activity continues to slow in spite of the dramatic job growth achieved in recent years. Residential construction, measured by permits issued, dropped by 6.4 percent—although multi-family construction grew slightly—while nonresidential construction dropped 1.4 percent. This disparity between job creation and building stagnation has caused home prices in this area to rise dramatically and are now consistently the highest in the state—and in the nation.

Central (San Joaquin) Valley

This region's economy is very dependent on agricultural production and exports. Although less affected by the early 1990s recession than other regions of the state, job growth during the recovery has lagged the rest of the state. The San Joaquin Valley typically suffers from much higher-than-average unemployment rates—generally more than double the statewide level. Future growth will depend to a significant degree on the relocation of businesses and workers moving away from the high cost and coastal urban centers—Bay Area in particular. The San Joaquin Valley is the most productive agricultural region in the world, and in 1999 export markets strengthened and weather conditions improved dramatically, leading to better farm incomes and employment growth. Unemployment rates improved significantly throughout most of this region (see maps below).

Bakersfield Metropolitan Area

Kern County, located at the southern end of the San Joaquin Valley, saw its unemployment rate fall nearly a full percentage point in 1999—to 11.3 from 1998's 12.1 percent—even though nonfarm job growth slowed from 2.8 to 2.3 percent. Following an explosion of construction activity in 1998, there was a slowdown in 1999. Residential construction permits, measured in new units, dropped 8.1 percent and nonresidential construction value fell 37 percent.

Fresno Metropolitan Area

This region, which encompasses Fresno and Madera Counties, had the highest unemployment rate among major California metropolitan areas last year—13.2 percent. Nonfarm job growth improved significantly from 1998—up 3.2 percent versus 1.7 percent the previous year. Construction activity was mixed. Residential construction was essentially unchanged from 1998 while nonresidential construction leaped 34.4 percent.

Modesto Metropolitan Area

Stanislaus County added 4,200 jobs, a 3.1 percent growth rate in 1999, and the jobless rate fell nearly 2 percentage points, to 10.2 percent New home construction increased by 6.7 percent, following 1998's near 40 percent gain—in part reflecting spillover from the housing-short Bay Area. Nonresidential building declined 12 percent in dollar terms last year, after a 54 percent leap in 1998.

Stockton-Lodi Metropolitan Area

San Joaquin, the northern-most San Joaquin Valley county, is also receiving economic spillover from the Bay Area. While still above the state average, the area's 8.7 percent unemployment rate is nearly 2 full percentage points lower than in 1998 and is the lowest in the eight-county San Joaquin Valley. Nonfarm job growth also rose significantly, posting a 4 percent gain in 1999 versus 2.4 percent in 1998. Both residential and nonresidential building increased markedly, rising by 26 percent for new housing unit authorizations and 28 percent for nonresidential values.

Sacramento Region

Unique among Central Valley areas, Sacramento has established a significant high-technology manufacturing and services base in recent years. Employers have been attracted by a well-educated workforce, favorable weather (especially in the foothill areas of eastern Sacramento and western Placer and El Dorado counties), low housing costs (less than half the Bay Area average), and excellent transportation facilities (the West's principal north-south highway, and the only two year-around trans-Sierra highways in the Valley).

Sacramento Metropolitan Area

The Sacramento area, encompassing Sacramento, El Dorado and Placer counties, achieved the second fastest industry employment growth among the state's major metropolitan areas last year, posting a robust 5.3 percent nonfarm job growth rate. At 34,800, the area added more jobs than any of the San Francisco Bay metropolitan areas. The unemployment rate averaged 4 percent in 1999, 1.5 percentage points lower than the statewide figure. The area's reasonable housing costs result from the ability to consistently supply new homes to match demand. New home permits increased 19.2 percent in 1998 and 6.6 percent in 1999. Nonresidential permit values expanded by nearly 43 percent in 1998 and 9.0 percent in 1999.

FIGURE III-21

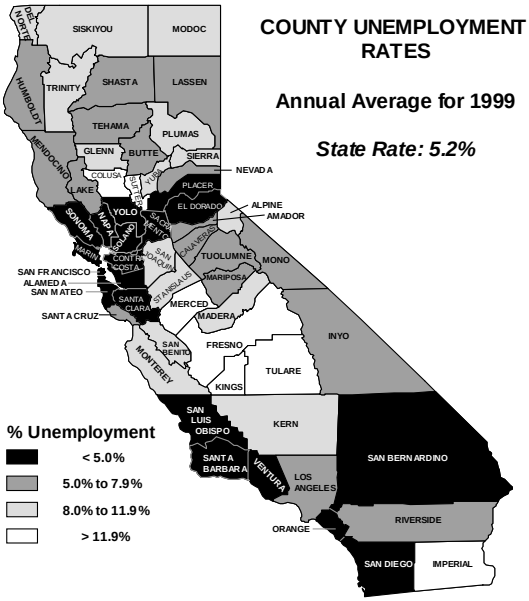
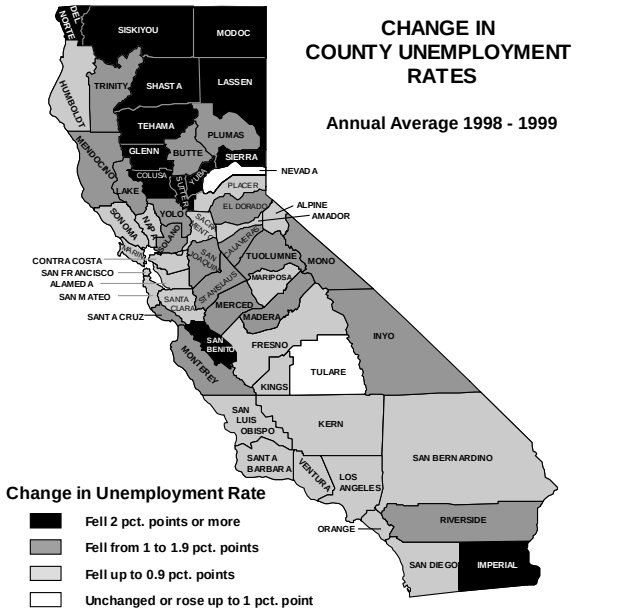


FIGURE III-22

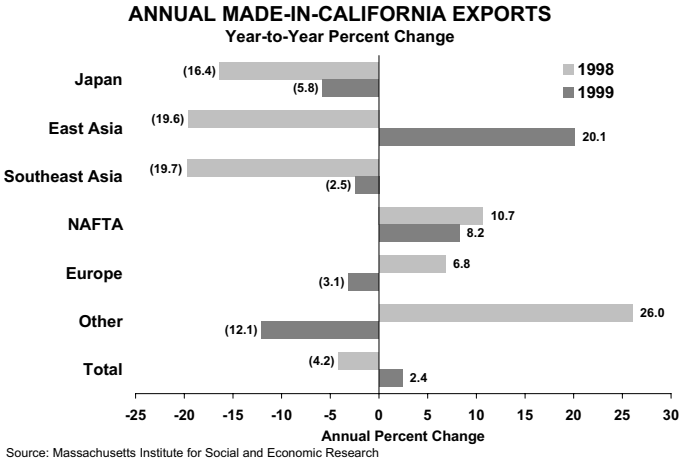


International Trade

Trade plays a key role in the success of any regional economy. California is by far the nation's leading export state, both in terms of movement through the state's ports and in terms of goods actually produced in the state.

Improving Asian economies led to a solid recovery in California-made exports in 1999. At the end of 1998, exports to Pacific Rim destinations—which represent over 40 percent of California's exports—were down considerably. Continued expansion of exports to neighboring Mexico and Canada and to Europe offset most of the weakness in Asian markets. Last year saw a dramatic turnaround, with significant growth in exports to the Pacific Rim.

FIGURE III-23



Source: Massachusetts Institute for Social and Economic Research

FIGURE III-24

MADE-IN-CALIFORNIA EXPORTS
TOP 25 DESTINATIONS

	Country	Exports ($millions) 1998	1999	Percent Change
1	Mexico	$ 13,343.9	$ 14,916.0	11.8%
2	Japan	$ 14,601.7	$ 13,753.5	-5.8%
3	Canada	$ 12,672.7	$ 13,236.5	4.4%
4	South Korea	$ 4,412.7	$ 6,675.9	51.3%
5	Taiwan	$ 5,925.7	$ 6,469.0	9.2%
6	United Kingdom	$ 5,756.0	$ 5,461.2	-5.1%
7	Singapore	$ 4,722.8	$ 4,874.7	3.2%
8	Germany	$ 4,699.7	$ 4,595.5	-2.2%
9	Netherlands	$ 3,893.5	$ 4,212.0	8.2%
10	Hong Kong	$ 3,620.3	$ 3,949.7	9.1%
11	China	$ 2,499.4	$ 2,667.9	6.7%
12	Australia	$ 2,647.0	$ 2,398.6	-9.4%
13	France	$ 2,457.1	$ 2,388.7	-2.8%
14	Malaysia	$ 2,399.3	$ 2,189.2	-8.8%
15	Philippines	$ 1,484.5	$ 1,575.9	6.2%
16	Italy	$ 1,271.6	$ 1,396.1	9.8%
17	Brazil	$ 1,316.4	$ 1,375.6	4.5%
18	Thailand	$ 1,273.7	$ 1,319.4	3.6%
19	Ireland	$ 1,059.1	$ 1,187.9	12.2%
20	Belgium	$ 1,315.7	$ 1,087.1	-17.4%
21	Israel	$ 725.8	$ 964.8	32.9%
22	Switzerland	$ 1,153.3	$ 928.5	-19.5%
23	Saudi Arabia	$ 1,659.2	$ 903.0	-45.6%
24	Spain	$ 740.2	$ 764.6	3.3%
25	Sweden	$ 767.5	$ 638.3	-16.8%
	Rest of World	$ 8,549.1	$ 7,519.0	-12.0%
	California Exports	**$ 104,968.0**	**$ 107,448.7**	**2.4%**

Source: Massachusetts Institute for Social and Economic Research

There was a marked improvement in the outlook for California's most significant foreign trading partners in 1999. With the notable exception of Japan, most of the Asian economies that were hit by the 1998 crisis are now firmly recovering. The economies of Mexico and Canada are in good health and growth in European picking up modestly.

The impact of stronger overseas growth is clearly visible in the sharp turnaround in California-made exports during 1999. Total California exports grew more than 2 percent in 1999 in contrast to the 4.2 percent drop in 1998. Shipments to East Asia (excluding Japan) jumped over 20 percent.

The turnaround began in the second half of last year, as exports rose almost 9 percent over comparable 1998 levels.

Another good sign is the real (inflation-adjusted) growth of California's export mainstay—high technology electronics. The export figures presented above are in "nominal" terms, *i.e.* they show exports in current dollar terms, rather than in quantity terms. According to the U.S. Bureau of Labor Statistics, electronic component export prices fell 1.8 percent in 1999 and computer prices plunged 9.0 percent. Thus, while nominal exports of made-in-California electronic components rose 5.9 percent and computers 5.7 percent, real exports for these items rose much more—by 7.8 and 16.1 percent respectively.

Among the top 25 export destinations, Mexico surpassed Japan as California's number one export market. Over the last three years, exports to Mexico have almost doubled, far exceeding growth to any other major destination. Mexico's increased access to U.S. markets has led to a boom in foreign investment—largely Asian—that is now spreading from the border areas to the interior of the country.

Asian destinations, while representing a somewhat reduced share of California exports than in past years, still account for a hefty 40 percent of the state's foreign markets. Canada and Mexico together absorb over one-quarter of California-made exports, with a similar percentage shipped to Europe.

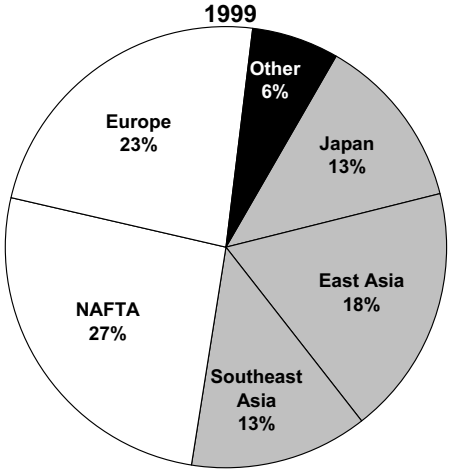
The four high technology industry groups—machinery (including computers), electrical and electronic equipment, transportation equipment, and instruments—make up close to three-quarters of California exports, and electronic components and computers account for well over half of total exports.

There is a thriving multi-lateral trade in high-technology components and finished goods throughout the industry. For example, computer chips may be designed in the

United States, manufactured in Taiwan, wired to a circuit board in Malaysia, and ultimately assembled into a personal computer in the United States. It is difficult to imagine an industry more dependent on international linkages than electronics manufacturing. California firms dominate design, and roughly one-quarter of U.S. electronics manufacturing is located in the state. However, much of this manufacturing depends on imported components, just as manufacturing elsewhere in the U.S.—and around the world—depends on parts that are made in California.

FIGURE III-25

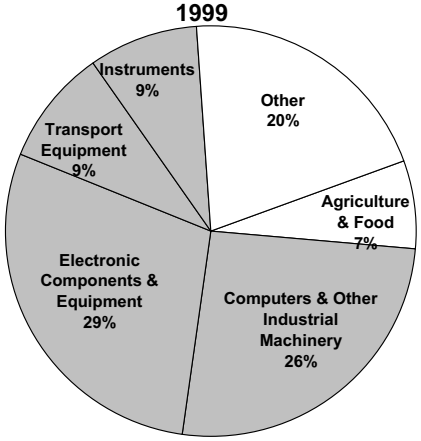
DESTINATIONS OF MADE-IN-CALIFORNIA EXPORTS
1999



Source: Massachusetts Institute for Social and Economic Research

FIGURE III-26

COMMODITY GROUPING OF MADE-IN-CALIFORNIA EXPORTS
1999



Source: Massachusetts Institute for Social and Economic Research

The California Outlook

Despite the slowdown in key export-oriented manufacturing industries, California's economic performance in 1999 was by far the best of the decade.

- Personal income grew nearly 8 percent, the largest increase since 1990. After adjusting for inflation, real income growth was 5 percent, the largest gain in purchasing power in 15 years;
- Unemployment fell to a 30-year low;
- The number of jobs advanced by more than 3 percent;
- Taxable sales increased an estimated 9.3 percent, the largest increase since 1984;
- New car registrations reached a record level;
- Both residential and nonresidential construction posted solid gains and existing home sales set a record in 1999.

Although high-tech manufacturing suffered until recently from weak overseas demand, gains in computer services—mainly software and the Internet—are more than taking up the slack. In 1999, the computer services segment of business services grew at an annual pace of 14.6 percent. The 35,400 new jobs added were one and three-quarters times the job losses in the seven high-technology manufacturing industries combined (computers, components, commu-

nications equipment, measuring instruments, aircraft, missiles and space, and navigation instruments). Computer services is now by far the largest single high-technology sector, nearly double the 153,000 workers in the electronics components industry.

Moreover, prospects for much of the high-technology manufacturing sector are also beginning to brighten—the result of a marked improvement in the outlook for major foreign economies. Strong economies in most of Asia are now well established. Growth in Europe is strengthening, and as noted Mexico's economy is benefiting from its enhanced ability to supply U.S. and Canadian markets.

In addition to high-technology manufacturing, motion pictures will also benefit from stronger overseas economies. Growth in motion picture production slowed in 1998 and 1999, mainly reflecting cutbacks by major studios following overproduction and poor profitability in 1997 and 1998. In 1999, box office receipts were up over 9 percent, despite a reduction in the number films in general release. With profits returning to the industry, there is renewed interest in undertaking major projects this year and in 2001. Thus, the overseas turnaround is now providing an additional boost to California's already robust economy.

There are, as always, a few clouds on the horizon. The U.S. economy is almost certain to slow from the torrid pace of the second half of 1999. Real GDP growth in the fourth quarter of 1999, measured at 7.2 percent at an annual rate, was the largest increase in 15 years. The Federal Reserve is pushing up interest rates in hopes of slowing growth. The stock market—a major contributor to household incomes, retail sales, and new and existing home transactions—is struggling this year, although it must be noted that much of 1999's exceptional surge in stock prices occurred in the last few weeks of the year.

Very low unemployment and housing shortages in several key areas of the state may serve to restrain growth. The state's jobless rate in February 2000 was 4.6 percent compared to the national figure of 4.1 percent. However, excluding the San Joaquin Valley, where unemployment remains in double digits, the state's rate would match the nation's. Moreover, California's younger-than-average population also argues for a somewhat higher jobless rate—unemployment among 16 to 24 year-olds is typically nearly double the rate for more experienced workers over 30 years of age.

Balancing these pluses and minuses suggests a continuation of 1999's very satisfactory performance:

- California nonfarm employment is forecast to increase 3 percent this year—more than 400,000 new jobs—about the same as 1999's 3.1 percent advance. In 2001, the state is expected to create more than 383,500 new jobs, a 2.6 percent increase over this year's expected level.

- Last year's very strong personal income growth was boosted by exceptional gains on the exercise of stock options, especially among employees of start-up firms who benefited from a very strong market for initial public offerings. Even assuming some weakening in option-related income this year, slightly higher ordinary wage growth, coupled with continued job growth of about 3 percent, would yield personal income growth in the 7 1/2 percent range, only slightly less than last's 7.8 percent advance.

- With commercial and industrial real estate markets generally well balanced or even undersupplied in some areas of the state, this year should see continued growth of nonresidential construction of about 10 percent on a permit value basis.

- The early months of 2000 provide some encouragement for what up to now has been a disappointing upturn in new home construction. Permits during January and February were issued at an annual rate of 160,000 units, well above last year's 140,000-unit volume. Even considering the possible effects of higher interest rates, new construction in the range of 155,000 to 160,000 seems a reasonable expectation this year.

- High and rising housing costs, especially in the Bay Area, will continue to place upward pressure on the California Consumer Price Index. This year's projected 3.5 percent increase is expected to be 0.8 percentage point above the expected U.S. rise of 2.7 percent.

FIGURE III-27

CALIFORNIA FORECAST, 2000 and 2001
SELECTED ECONOMIC INDICATORS

	2000	2001
Unemployment rate (percent)	4.4	4.1
Nonfarm wage and salary employment (1,000s)	14,493	14,877
(Percent change)	3.4	2.6
Personal income (billions)	$1,077.2	$1,135.3
(Percent change)	7.4	5.4
Housing units authorized (1,000s)	156	169
(Percent change)	10.6	8.2
Consumer price index (1982-84=100)	174.4	180.6
(Percent change)	3.5	3.6

Note: Percentage changes calculated from unrounded data.

A Brief History of the California Economy

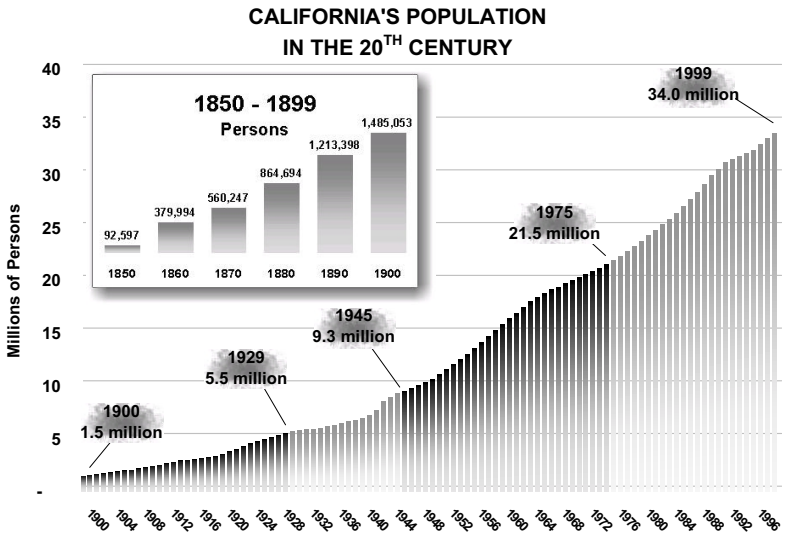
This millennium year is also the 150th anniversary of California statehood. From the Gold Rush days to the explosive growth of the Internet at the beginning of the 21st century, California's economic history has been one of constant change, growth, and prosperity.

Starting as a sparsely populated Western frontier with fewer than 100,000 residents in 1850, California's population now exceeds 34 million. From an economy that was too small to measure before the Gold Rush, California is now the eighth ranking economy in the world, about the size of Mainland China, and larger than Brazil, Canada, or Spain. California's gross product exceeded the trillion-dollar mark in 1997, the first state to achieve this record. Last year, it was the first state to top $1 trillion in personal income.

Beyond size, California is also a world technological and economic leader. California is an example of what the future has in store for the rest of the nation. It has been the birthplace of many of the world's most significant technological innovations, social trends, and is a model of economic innovation and prosperity. As this new century begins, there are few economies better suited to this new "information age" than California's.

California possesses a vibrant and diverse industrial tapestry. From the beginning, the state's remoteness from the industrial states of the East and Midwest caused it to develop a fairly complex economy, rather than one devoted to a few specialized industries. Over time, new industries were introduced that—rather than displacing established industries—were simply added to the existing base, which heightened its complexity. This pattern of adding rather than displacing industries gives California its rich economic texture in which long-established industries, such as agriculture and mineral extraction, thrive alongside emerging industries, such as biotechnology, telecommunications, and the Internet. Thus, from its frontier beginnings, California has become the largest and most diverse economy in the nation.

FIGURE IV-01



The Gold Rush Plants the Seed
1848-1899

FIGURE IV-02

1848 Gold discovered in Sierra Nevada foothills

1849 State constitution is ratified and the first Legislature meets in San Jose

1850 President Fillmore signs bill admitting California to the Union as the 31st state

1855 The College of California in Oakland was chartered (the future University of California)

1857 The first commercial orange grove was planted near Los Angeles

1860 The Pony Express begins service to San Francisco

1861 Calfornia's first oil well is drilled near Eureka; First oil refinery is built north of Ventura

1862 President Lincoln initiates construction of the Transcontinental Railroad

1863 Construction begins on Central Pacific Railway from Sacramento

1864

1865 **Civil War**

1868 The University of California is established

1869 The Central Pacific and Union Pacific railways were joined at Promontory, Utah linking California to the east.

1893 Southern California Fruit Growers Association is established

1899 Construction began on a breakwater for Los Angeles Harbor

Symbol Key

- Significant social/political events
- Motion picture/television entertainment development
- Aerospace industry development (aircraft, missiles and space vehicles, instruments)
- Computers and telecommunications electronics industry development
- Transportation development

On January 24, 1848, California was changed forever. Following James Marshall's discovery of gold at Sutter's Mill in Coloma, thousands of people rushed into California. For the most part, only those miners who arrived in 1848 found the success they were seeking. After 1848, merchants such as Sam Brannan—California's first millionaire—were the main beneficiaries of the boom.

Most people arrived in California with the bonanza mentality—intending to get rich quick and go back home with their money. These people had no desire to put down roots. In fact, only about 10 percent of the people who came to California during the Gold Rush chose to settle in the state. Among the fortune seekers who stayed were several well-known Californians, such as Leland Stanford and James Lick who were to make significant contributions to the state.

As commerce expanded, transportation became an increasingly important issue throughout the Gold Rush era. The state's dirt roads were often so muddy that they were unusable. Steamships and riverboats ferried miners and freight between the port of San Francisco, Sacramento, and the mining camps. There were three ways to travel and transport goods from the Midwest and eastern parts of the U.S. to California. The first was the six-month voyage around the horn of South America. Another was to cross the Isthmus of Panama. The third route was the long overland journey from Missouri.

The dramatic growth of commerce and farming prompted Californians to demand a better connection with the rest of the United States. Throughout the 1850s the State asked Congress for a transcontinental railroad to provide passenger service and to ship goods to and from the Midwest and the East Coast. The growing split between northern and southern states in the 1850s prevented Congress from choosing which route the railroad would take. Southerners such as Jefferson Davis wanted a southern route through Arizona and New Mexico. Northerners such as Abraham Lincoln wanted a northern route through the Midwest.

Californians made several attempts to build a transcontinental line themselves. The most successful was the Sacramento Valley Railroad, which was completed in 1854.. Its builders had planned to go from Sacramento

to Folsom, then Marysville, then over Beckworth Pass in present day Plumas County. They wanted to build the railroad across the country, but lacking federal support, only got as far as Folsom.

The needed federal backing came in 1862 with the passage of the Pacific Railroad Act. This act authorized two companies to build the first transcontinental railroad: the Central Pacific would start building in Sacramento, and the Union Pacific would start from Omaha. This northern route was adopted because nearly all Southern Congressmen were absent from Washington D.C. during the Civil War. The Central Pacific—which became the Southern Pacific in 1884—was run by four notable Californians. Leland Stanford served as the railroad's president. As governor of California from 1861-1863 he maintained strong state support for the railroad. Collis P. Huntington served as vice-president, spending most of his time in the east procuring supplies. Mark Hopkins served as bookkeeper. Charles Crocker was in charge of construction. At the height of their success, the "Big Four" lived atop San Francisco's Nob Hill—their home sites are now the Stanford Court, Huntington and Mark Hopkins hotels, with Grace Cathedral occupying the original Crocker parcel.

The Central Pacific received $16,000 per mile over flat terrain, $32,000 for foothill areas and $48,000 for mountainous terrain. It was also granted 10 sections of land per mile (this was increased to 20 in 1864). The transcontinental railroad was completed in May of 1869, linking California with the rest of the nation and giving Californians a practical way to ship goods to eastern population centers.

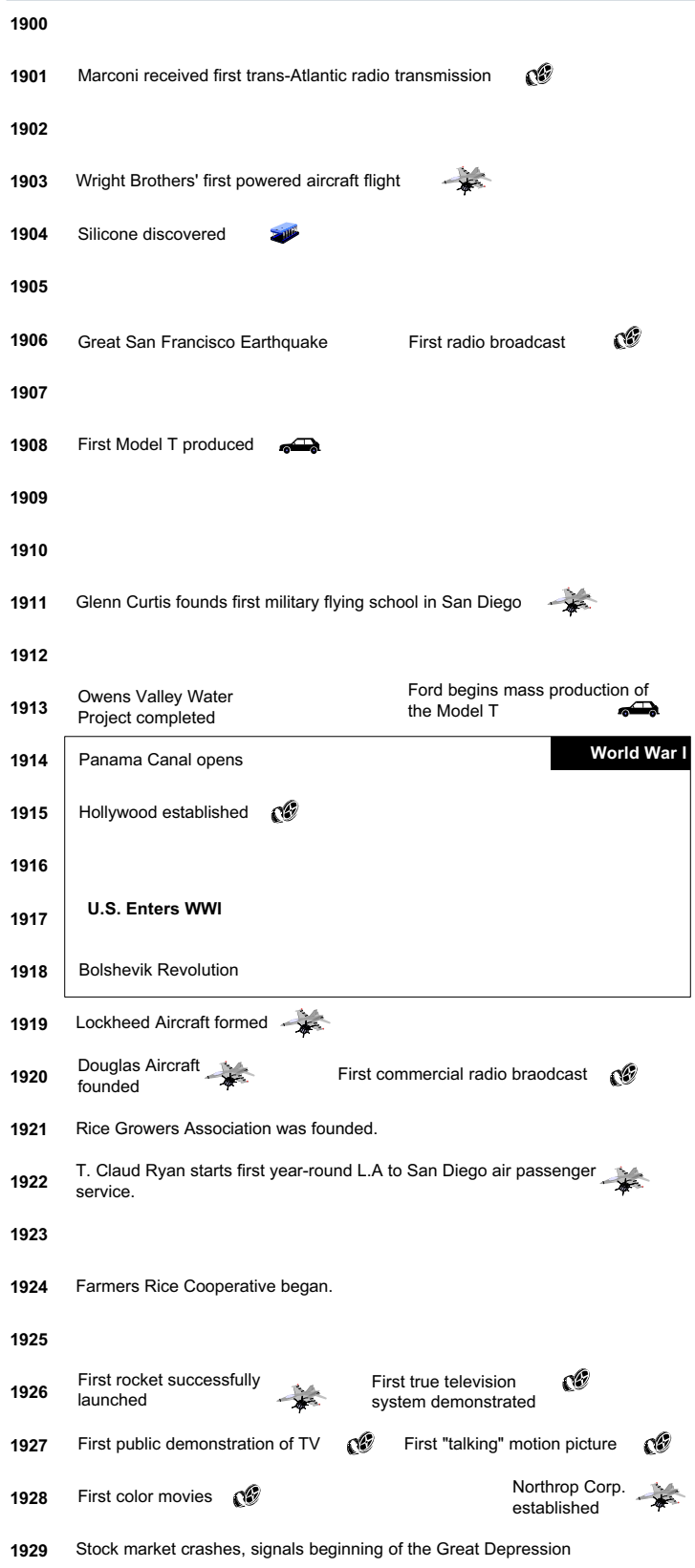
By enabling California's farmers to feed the United States and much of the rest of the world, the railroad helped agriculture to become the state's leading industry in the late 19th century and throughout much of the 20th century. Before the railroad link was established, California agriculture had been stimulated by exploding demand for food from the Gold Rush population boom. The state's remoteness from the nation's main food-producing regions led to a rapid expansion of cultivated acreage. Initially, the focus was on basic feed crops and cattle.

By 1850 California agriculture was dominated by wheat. In 1870, a bushel of wheat sold for $1.82 and California was the nation's second largest wheat producer. By 1894, however, a glut drove the market price of a bushel down to $0.64. Many wheat growers sold their land to farmers who wanted to grow specialty crops such as oranges and lemons. By the end of the 1890s, California was dominated by specialty crops. Wheat would not be prominent in California again until exports to Northern China began in the 1970s.

The last half of the 19th century completely transformed California. The Gold Rush sparked a population boom, which led to rapid commercial and agricultural development. These changes then prompted spectacular transportation improvements—most dramatically in the railroad field. When the transcontinental railroad established a practical conduit to the eastern U.S., California agriculture became a national force.

20TH CENTURY INDUSTRIES
1900-1929

FIGURE IV-03



In 1900, agriculture, mining, and the railroads—especially the Southern Pacific—dominated California's economy. San Francisco—the state's largest city—had cemented its place as the economic hub of the Pacific Rim by becoming one of America's great port cities. The Southern Pacific railroad carried produce and other goods to San Francisco to be shipped around the world. The railroad also carried California's produce eastward over the Sierra Nevadas to the nation's mid-section and the East Coast. California was already feeding the world, as it still does today.

Agriculture Dominates

By 1929 California was the nation's leading agricultural state, with crops valued at over $1 billion. Large corporate-owned farms dominated the state. Several large land companies owned farms in excess of 300,000 acres. Diversity has always been very important in California agriculture, which grows over 200 different crops. In contrast, other farm states produce only 12 to 15 crops.

One of the most important crops grown in California is cotton. The first attempts at growing cotton in California were made in the 1850s when several efforts to establish Southern-style cotton plantations failed. However, in the 1920s cotton was reintroduced to California. In 1921 cotton was grown on 1,500 acres in the San Joaquin Valley. By 1931 cotton acreage had increased to 600,000 acres. Moreover, the yields were triple those of other cotton-producing states. By 1940 California trailed only Texas in cotton production.

California's farmers were the most organized in the nation. The most famous growers cooperative was the Southern California Fruit Growers Exchange, founded in Los Angeles in 1893 following several years of financial troubles that resulted from weak distribution and marketing practices. The exchange became a model for farming cooperatives around the world. By allowing growers to cut out middlemen, fruit could be sold directly to the east coast. The Exchange launched a major publicity campaign promoting the orange, and it soon became a symbol of health. By convincing people that oranges were good for them, this campaign changed many consumers' eating habits. Oranges were no longer considered a delicacy and were now eaten on a regular basis.

Oranges were also used by the railroads and others to sell land in California. Orange promoters claimed that a farmer could make more money growing five acres of California oranges than could be earned from 200 acres of Kansas grain crops. The orange helped promoters convince people that California was America's Italy by fostering the idea that California was a clean place to escape dirty eastern industrial centers. Many wealthy people, such as Chicago meat king Philip Armour, settled in California.

Many new towns also promoted romantic images of California. The most famous of these was Venice, which had canals like Venice, Italy. Many towns also competed for new residents by promoting a romantic vision of California history. The missions were emphasized and restored, and Mission Revival architecture became popular. In 1884, Helen Hunt Jackson wrote the novel *Ramona*, that romanticized the mission period in California history. It was a best seller until the 1940s. In fact, the Southern Pacific passed out free copies of the book to California-bound passengers. Once the trains entered the state, crewmen would tell the passengers where certain events in the novel took place, as if the novel was a true story.

In 1919, the California Farm Bureau was established, which promoted high standards of farming and lobbied State government for funding for agriculture research. Much of this funding paid for research conducted by the University of California (UC) system, primarily at what are now its Davis and Riverside campuses. This research yielded many innovations that have changed agriculture worldwide. The use of airplanes for rice seeding, portable sprinkler systems and the Cerati rice dryer are three examples of agricultural products and techniques developed in California.

Several famous scientists spearheaded agricultural research in California. The most famous was Luther Burbank, who settled in the Santa Rosa area in 1875 and developed 800 to 1,000 new varieties of plants. He hybridized 40 types of prunes and plums, a white blackberry, and the Russet Burbank potato. Today this potato accounts for 40 percent of the potatoes sold in the United States.

Because of agriculture's dependence on water, California built massive irrigation projects. By 1945, 63 percent of California's farms used water brought in by irrigation. The largest projects were the Owens Valley, Central Valley Project, and the Colorado River Project. To pay for expanded irrigation, water districts charged assessments. These fees forced many small farmers to sell out to bigger growers.

Expanding the available water supply would have a profound impact in other areas of the economy. It would also facilitate dramatic population growth in the Los Angeles basin and allow the state's economy expand into other industries not tied to agriculture.

Banking Accompanies Agriculture

California banking developed alongside agriculture. By the 1920s California was home to vast amounts of capital that when loaned locally relieved growers of their dependence on Wall Street. Two of the state's leading banks throughout much of the 20th Century—Bank of America and Security Pacific—had their roots in agricultural lending. Both were popular lenders to many growers.

Canning the Harvest

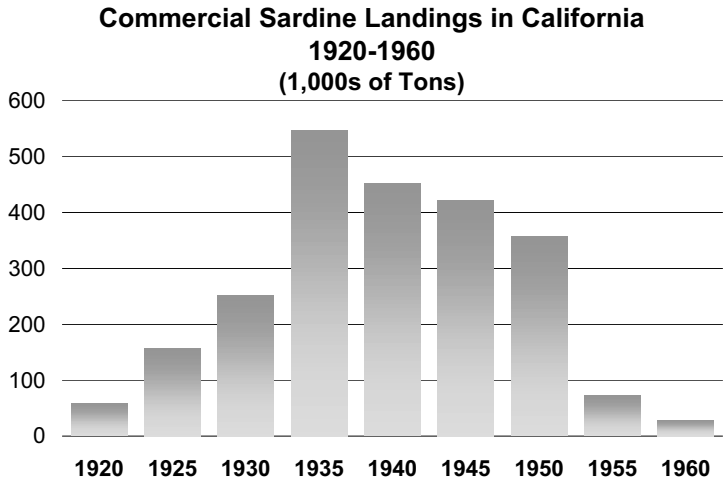
Another industry that developed with agriculture was canning. Advances in technologies allowed California companies to can food and ship it to the rest of the world. In 1899 at least 1.5 million cases of fruit were produced in California. By 1945 this had risen to 26.5 million

cases—increasing by over 500,000 cases annually on average. Several of the best-known canned food labels, such as Del Monte, Libby, and S & W, originated in California early in the century.

A Fishing Leader

By 1940 California was a leading fishing state because of the sardine industry. Between 1914 and 1929, an average of 300 million pounds of sardines was caught each year. Sardines were used for fertilizer, fish oil, salmon bait, and other products. By 1910 Monterey was the canning capital of the world—with its Cannery Row employing low wage Chinese laborers. In fact, sardines were over fished, and in the late 1930s the catch began to dwindle, and in 1967, a fishing moratorium was declared. Cannery Row eventually became one of California's most famous tourist attractions.

FIGURE IV-04



California also became the nation's leading tuna fishing state. Croatians living in San Pedro established the industry, and the area became the nation's tuna fishing capital. In the North Pacific, California companies dominated most of the fishing and controlled 70 percent of Alaskan fishing.

It was also during this era that new industries began to develop in California that were neither merely population serving nor directly connected to agriculture. The provision of new water for Southern California allowed its population to grow dramatically—by 1920 Los Angeles had passed San Francisco as the state's largest city. Manufacturing industries emerged, becoming a prevailing force in the state's economy in the decades ahead.

Aerospace Gets Its Start

Aircraft—the predecessor to the modern aerospace industry—sprang to life in the 1920s. By 1935, Boeing was the only major airplane manufacturer outside of California. The state's benign weather makes California an excellent place to build and test airplanes.

In 1919 Allan Lockheed started Lockheed Aircraft in Santa Barbara, relocating shortly thereafter to Burbank. During World War II, the company became a major defense manufacturer. In the Cold War, Lockheed (and its famous "Skunk Works") led the aerospace industry in missile development.

In 1920 Donald Douglas founded Douglas Aircraft, two of whose planes in 1924 became the first to fly around the world. In 1932 the company signed a contract with TWA to produce passenger aircraft. The first model, the DC-1, could seat only 12 passengers, but in 1935 Douglas Aircraft rolled out the DC-3, which became an industry standard. The company went on to manufacture 30,000 aircraft during World War II.

Motion Pictures Immigrate

California also rose to lead the nation's entertainment industry. Hollywood was established by emerging filmmakers, such as Cecil B. de Mille, who were fleeing Thomas Edison's efforts in New York to monopolize the movie industry through heavy equipment licensing fees. Hollywood attracted filmmakers because its sunny climate allowed year-round film production.

Another attraction was its proximity to Mexico, which was a potential fall back location if Edison had pressed his case on the West Coast. Universal Studios was formed in 1912, and in 1913 its first feature length film earned $450,000. In 1914 Universal purchased the Taylor Ranch in North Hollywood and set up a studio. *Damon and Pythias* was the first film produced at Universal City.

An important aspect of Hollywood motion picture production during the first half of the 20th Century was the studio system in which the studios signed directors and stars to long-term contracts. For example, Judy Garland had a long-term contract with Metro Goldwyn Mayer (MGM). Director Orson Welles signed on with RKO. Stars were expected to act in four to five films each year. The studios also controlled distribution by owning the large movie theatre chains although this practice was halted in 1949 as a violation of antitrust laws.

Beginning in the 1950s, movie stars and directors become more independent. Instead of long-term contracts, they were increasingly hired on a project-by-project basis. This gave them more control over their careers, allowed more independent film production, and eroded the dominance of the major studios. By the end of the century, short-lived, single-project companies and independent filmmakers were producing many films. The major studios eventually came to focus less on film production and more on film distribution and the provision of a variety of other services—including providing financing, physical facilities, and technical equipment and skills.

Many in the motion picture industry were alarmed about the rapid spread of television in the 1950s. Indeed, television sounded the death knell for low-budget "B" movies, and for many neighborhood "second-run" theaters. From a parochial standpoint, television was a New York-based industry, and Californians stood not only to lose a significant part of a major export activity, but were also forced to watch fuzzy, two-week old kinescope recordings of network programs.

But the setback was short lived. Beginning in the 1950s, the major film studios began devoting some of their efforts to producing shows for the emerging television medium. Popular shows produced in California at this time included *I Love Lucy, Maverick, Lawman, 77 Sunset Strip, Cheyenne*, and *Hawaiian Eye*. Eventually, Hollywood and nearby Burbank became the center of the television entertainment industry. Today, the vast majority of prime time television originates in California.

By the 1990s, Hollywood's vastly superior production and post-production capabilities had even captured most TV commercial production from Madison Avenue, spurring growth in the already considerable Los Angeles advertising industry. Moreover, the balance of power in the industry continued to shift westward. The classic split between financial control from Wall Street and creative activity on "the Coast" began to break down in the 1980s as studios and independent producers accessed investors directly through limited partnerships—Silicon Valley's venture capital model. Of the four leading commercial networks, two are now owned by California-headquartered companies—Disney (ABC) and Fox.

Apparel Follows the Movies

The growth of the California fashion industry followed the growth of the motion picture industry. As the public increasingly wanted to emulate movie stars, clothing designers flocked to Hollywood. Major department stores used movie stars to endorse their clothes. In 1927 Joan Crawford and Clara Bow endorsed hats for Sears. Eventually, apparel manufacturing followed the designers. Apparel and other textile product manufacturing was a bright star in California manufacturing in the 1990s. Throughout most of the decade, national apparel employment declined steadily while California's increased. By the end of the century, California accounted for one-fifth of the entire nation's apparel manufacturing jobs.

In summary, the first three decades of the 20th century saw the first signs of the dramatic changes that were in store for California. While the economy was dominated by agriculture and railroads, some of the state's future leading industries emerged during this period. California's inherent benefits, including its climate and location, attracted or encouraged the creation of many new enterprises that would play important roles in the upcoming decades. California's dependence on trade with the other states and the world meant that major national and international events were about to profoundly alter the state's economy.

Adversity Begets Prosperity 1930-1945

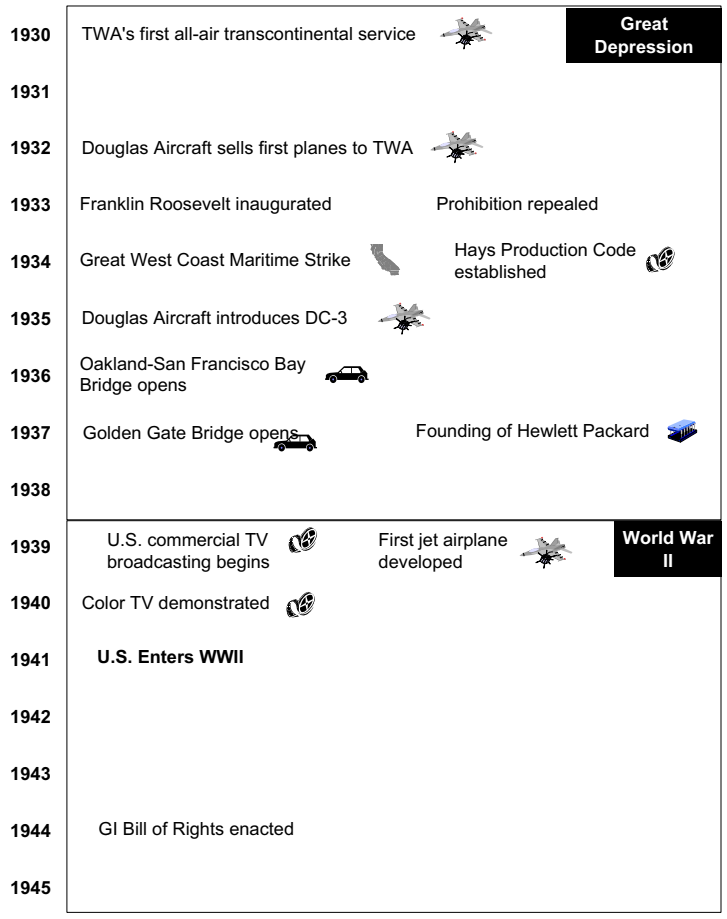
The turbulent years of the Great Depression and World War II were a prelude to California's most dynamic period of growth. California was a haven, attracting many of those hardest hit by the Depression. The material demands of the federal government during the war would boost the state's industrial output, and manufacturing would takes its place as the primary driver of the state's economic growth.

One of the most dramatic effects the Great Depression had on California was the migration caused by the Dust Bowl. From 1928 to 1935, a major drought in the southern plains states produced dust storms that spewed dust 300 miles out into the Atlantic. At one point, dust obscured the sun in New York City for five hours. By 1945 over one million dust bowl-driven migrants had arrived in California.

For the $10 cost of gas, refugees from Oklahoma, Texas, and Arkansas, and other dust bowl states could migrate to California. This was the first mass migration of impoverished people in California's history. Before the development of the automobile, migrants to California tended to be middle—or upper—income.

Another contrast was that this was a migration of families. Earlier, especially during the Gold Rush, most migrants to California were single men. The dust bowl migrants were attracted to California by its climate and because they were familiar with growing and harvesting cotton. By 1936 they made up 90 percent of California's farm labor force.

FIGURE IV-05



The migrants lived in squalid conditions. Few of the state's 8,000 labor camps were inspected to ensure they conformed to minimum health standards. These conditions formed the basis of John Steinbeck's Pulitzer Prize winning novel *The Grapes Of Wrath*, which was banned in Kern County's public schools and libraries. In several communities, prominent growers burned copies of the novel in public. In 1939, Dorothea Lange's photographs—which became the images that would define the great depression—were published in *American Exodus: A Record of Human Erosion.*

Complete relief from the Great Depression came with World War II, which sparked even more dramatic changes for California. In 1930 the federal government was spending $190 million in California. By 1945 it was spending $8.5 billion yearly in the state. The state's manufacturing output more than tripled during the war. Of all the new war manufacturing plants developed in the west, 45 percent were located in California. California's weather was ideal for troop training. Thus California became a major staging ground for the war in the Pacific, and home to numerous military posts, airfields, and depots.

Shipbuilding was the most prominent wartime industry, with Henry Kaiser the leading ship-builder. Kaiser cut the time needed to build a freighter from 250 days in 1940 to 25 days in 1944. One ship was actually built in a record time of eight days. During the war, the ship-

yards at South San Francisco, Vallejo, Richmond, Oakland, and San Pedro were operating twenty-four hours a day. Kaiser offered his employees low cost housing and a health care program that became Kaiser Permanente.

During the war years, 280,000 employees built 60,000 aircraft in California, more than anywhere else in the United States. Lockheed built 18,000 planes during the war, in contrast to 1937, when it only built 37 planes.

Along with aircraft, California firms also produced the necessary electrical components, such as radios and sonar. Hewlett-Packard, for instance, produced signal generators for the Naval Research Laboratory, as well as radar-jamming devices. These developments set the stage for the modern electronics industry.

This industrial boom, combined with the workforce drain into the armed services of over 700,000 Californians, spurred an even greater wave of migration that dwarfed that of the Gold Rush era and far exceeded the dust bowl. From 1940 to 1945, over 2.6 million new residents were added to the existing 6.8 million. Manufacturing employment increased from under 400,000 in 1939 to over 1,000,000 by 1943.

The depression and war years left California with an impressive manufacturing base. Another surge of migration, along with the massive growth of ship and aircraft production spurred by the war, turned the state into an industrial powerhouse. The state would grow and prosper in the booming postwar economy. The industrial development of this era also laid the groundwork for California to become a leader in several high technology fields later in the century.

A Modern Economy is Born
1946 – 1975

Following World War II, California experienced another major population boom. Federal defense spending was a significant element of this period's economic growth. The suburban, automobile-dependent style of community development became the norm, and California became a cultural bellwether.

Over the next 25 years, the state's population grew by about 500,000 per year, propelling California past New York as the nation's largest state by 1963. Many couples had two or more children, which fueled a "baby boom." These growing families generated ever-growing demand for places to live, transportation facilities, and education.

Housing was in short supply immediately after the war. In response, suburban communities sprang up and spread prodigiously, based on advent of mass produced housing. The Westchester district of Los Angeles was a prime example of a community built by mass- produced housing.

A better transportation system was needed to serve this burgeoning economy. In 1940, the first freeway was opened, the 8.9 mile, six-lane Arroyo Seco Parkway—later known as the Pasadena Freeway—connecting Los Angeles and Pasadena. Freeway development resumed after a wartime moratorium. In 1947 the Collier-Burns Act raised the gasoline tax, allowing significant freeway construction growth. In the 1950s and 1960s, in addition to the tremendous growth of urban freeway systems in the Los Angeles and San Francisco Bay areas, main highways such as 99 and 101 were expanded in congested areas. The Ridge Route—now the I-5 corridor connecting Los Angeles and the Central Valley—was expanded during this time, and bypasses were built around Salinas, Carpinteria, Santa Maria, and King City.

The number of licensed vehicles in California rose from 3.4 million in 1946 to almost 17 million in 1975. By the end of the century, there were nearly 29 million vehicles in California.

During the baby boom era of the 1950s and the 1960s, California's system of higher education expanded rapidly and achieved worldwide recognition. To its existing five campuses the University of California added four new ones at Irvine, San Diego, Riverside and Santa Cruz. In addition new California State Colleges were authorized at Fullerton, Hayward, Stanislaus, San Fernando Valley, Sonoma, San Bernardino, Dominguez Hills, and Bakersfield. In 1960, the Donahoe Higher Education Act established what would

FIGURE IV-06

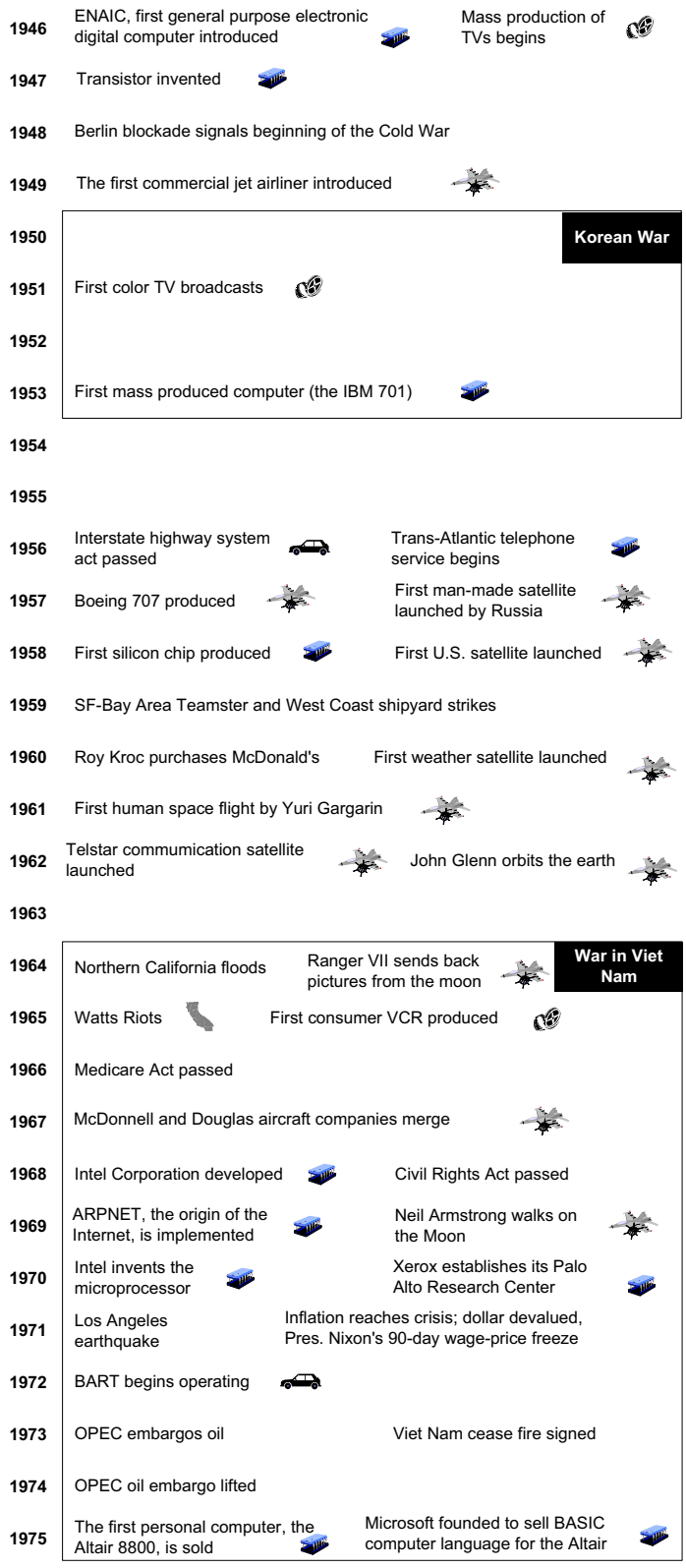


FIGURE IV-07

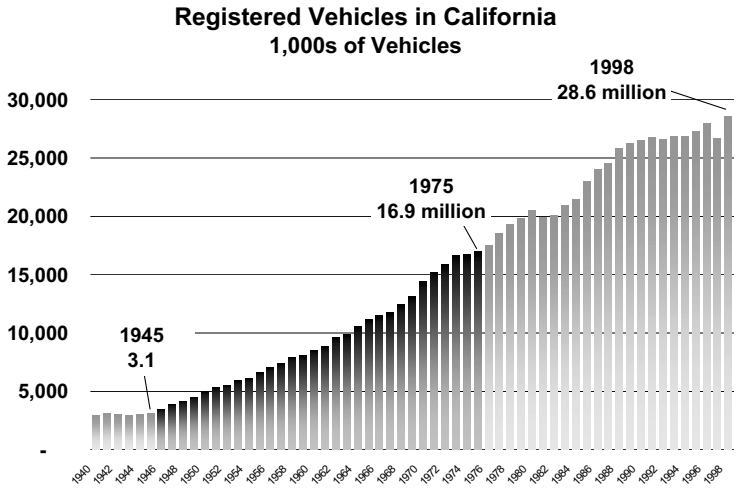
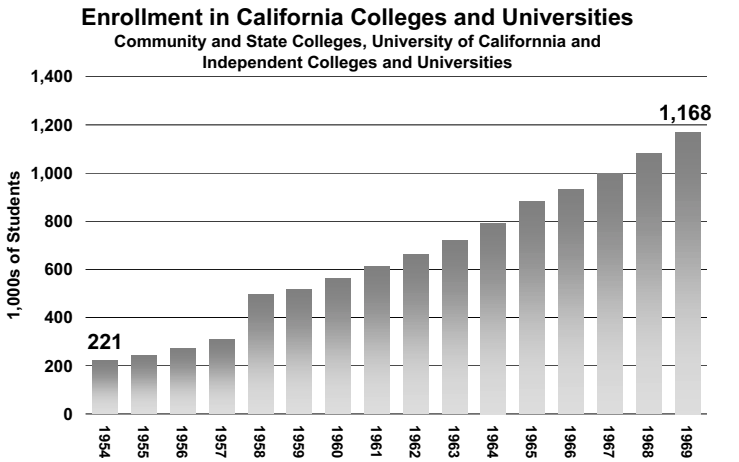


FIGURE IV-08



become the California State University system to administer the California State Colleges. Between the mid-1950s and the end of the 1960s, total college enrollment in California increased five-fold, topping a million students.

The military continued to be an important part of the California economy during the Cold War. California firms built airplanes and helicopters and manufactured ordnance during the Korean and Vietnam Wars. These firms also built rocket boosters for space flights, landing gear for the moon flights, satellite control systems and camera controls for the Mars fly-by, and communications equipment used for the first moon landing. Department of Defense civilian payrolls and support services required by military bases became a significant part of the state's economy.

In the initial postwar era, California blossomed into a world-ranked economy as well as the most populous state in the nation. California's economy consistently outperformed the rest of the nation. The importance of federal spending to the state's economic status, however, would become apparent in the years ahead.

Leading the Way
1976 - 1999

A major transition occurred in the last quarter of the century. After the end of the Cold War, defense spending in the state waned. However, the electronics manufacturing, spurred by World War II and the Cold War, had sowed the seeds of the electronics and computer industries. California would rise to dominate these high technology industries that would dramatically alter the worldwide economic landscape of the 1990s.

Silicon Valley-based companies such as Hewlett-Packard and Intel drove the technology industry into the 21st century. Hewlett-Packard was founded by two Stanford University graduates in 1938, and the company's first major order was from Walt Disney. Disney purchased oscillators used in the stereo sound system in the groundbreaking animated film Fantasia. By 1962 Hewlett-Packard was listed in Fortune's top 500 U.S. companies.

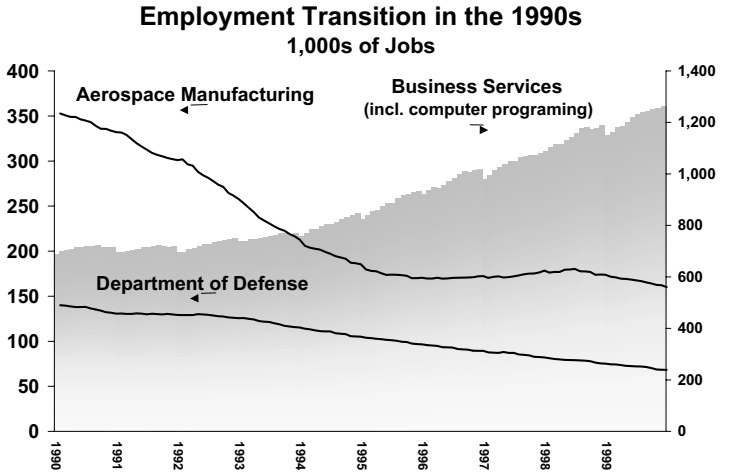
Most of the value in a personal computer resides in the silicon chips, each containing millions of semiconductors (transistors). The most important chip is the central processor unit, or CPU. The development of the personal computer industry can largely be traced by CPU development. In 1971 the world's leading microprocessor designer and manufacturer, Intel—founded by former Fairchild Semiconductor employees—produced its first microprocessor, the 4004, for use in a business calculator. In 1974, the company released the 8080, used in the first personal computer, the Altair. By 1985, Intel was producing the 386 processor—more than 100 times faster than the original 4004—that gave personal computers multitasking capabilities. In 1989, Intel introduced the 486 processor, which was powerful enough to fully support the graphic interface (point and click) pioneered by Apple. In 1993 the even more powerful Pentium Processor was introduced, allowing computers to easily incorporate more complex data such as digital sound, photographs, and motion pictures.

Another pioneering computer company—also born in California—added an essential component to personal computers. Apple Computer was founded in 1976 and initially prospered from the production of the Apple II computer. Building on this success, the company introduced the Macintosh computer in 1984, including in it a graphical user interface (GUI) that greatly simplified its operation. Before the GUI, computers were predominantly the domain of hobbyists, sophisticated users, and technicians. The GUI turned the personal computer into a mass marketable appliance with broad applications, which in turn created vast new economic opportunities.

FIGURE IV-09

1976	Apple Computers founded		
1977	Apple II computer debuted		
1978	Proposition 13 initiative approved by	U.S. airlines are deregulated	
1979	OPEC increases oil prices 9 percent		
1980			
1981	The first IBM PCs are sold and MS-DOS is introduced	First space shuttle launched	The Internet is developed
1982	Sun Microsystems organized		
1983	Microsoft Windows introduced	CD player developed	
1984	AT&T is broken up	The Apple Macintosh personal computer is introduced	
1985	World oil prices fall by more than a dollar after OPEC decides to abandon price supports		
1986			
1987	Severe earthquakes hit Imperial County		
1988	Boeing acquires McDonnell-Douglas		
1989	Major earthquake hits the San Francisco Bay Area		
1990	California population reaches 30 million	Collapse of the Berlin Wall signals the end of the Cold War	
1991	Sierra Madre earthquake in Los Angeles County	Oakland Hills fire	
1992	Earthquakes in Palm Springs, Ferndale, and Yucca Valley	Riots in South Central L.A.	The World Wide Web is established
1993	Major defense cuts announced includes California base closures	NAFTA passed	First graphical WWW browser introduced
1994	Northridge earthquake		
1995	Costliest winter storms in California history	Lockheed and Martin Marietta merge	
1996	Major consolidations: Wells Fargo with First Interstate, Pacific Telesis by SBC, Cal Fed by First Nationwide, and Boeing acquires McDonnell Douglas		
1997	Hughes Electronics acquired by Raytheon	Lockheed Martin buys Northrop Grumman	
1998	NationsBank merges with BankAmerica	Wells Fargo and Norwest merge	

FIGURE IV-10



The development of the computer industry also fostered a boom in the software industry. By the late 1990s, Microsoft's Windows software was the dominant operating system used by over ninety percent of the world's personal computers. Software companies such as Electronic Arts began to develop entertainment software for this operating system. The computer games industry exploded, and soon the computer and entertainment industries were joining forces. During the 1990s, computer-related services—programming, network and database development, component design, and a plethora of Internet services—eclipsed computer and electronic manufacturing as the leading high technology growth industry.

The 1990s were both pivotal and paradoxical for California. The decade began with a severe economic slump and ended with a record-breaking expansion. The end of the Cold War led to significant reductions in federal defense spending—characterized by reduced procurement and base closures. This led to a major downsizing of the state's aerospace industry and reductions in Department of Defense payrolls. To make matters worse, the state was plagued with a series of natural and manmade disasters that further tarnished the Golden State's image. These factors resulted in a much longer and far deeper recession than the rest of the nation.

During the latter half of the decade however, the state's economy consistently grew faster than the nation as a whole. Computer industry developments, such as falling chip prices and the development of the Internet, sparked a boom in various high technology fields, including computer services such as software and programming. Electronics manufacturing—computers and telecommunications—recovered from the recession. More dramatically, computer related services proliferated to support the propagation of personal computers, personal communications devices and Internet business activities. All this combined to generate historically high levels of employment, income growth and wealth accumulation. The Silicon Valley of the 1990s represented the 20th century's Gold Rush. As mentioned in Chapter 3, California high technology companies received over $16 billion of venture capital investments in 1999 alone. Thus, California ended the decade as the world leader of emerging industries that will be center stage in the economy of the future.

Conclusion

The 150 years since statehood witnessed unimagined changes in the California economy. The population explosion of the Gold Rush left behind prosperous farms, merchants, and railroads. The transcontinental railroad linked California with the rest of the U.S. The ability to ship goods east, coupled with California's moderate climate, prompted new industries looking for a favorable environment—motion pictures and aircraft manufacturing in particular—to move to the Golden State. The dislocations of the dust bowl and the Great Depression drove another wave of migration. The demand for ships and planes and other military hardware spurred by World War II led the state to become a manufacturing powerhouse. Postwar prosperity, the continuing military demands of the Cold War, the popularity of the "California lifestyle"—spread in large measure by Hollywood—and the state's proximity to the Pacific Rim combined to spark further businesses and household growth.

California's strong entrepreneurial sprit, world class port, transportation and higher education systems, coupled with an existing high technology base—developed in part from defense-related industries—have all contributed to the state's enviable position as the world leader of the New Economy.

This report attempts to highlight in just a few pages the lengthy and complex economic history of America's largest state. Inevitably, important events, people, industries, or enterprises were left out or overlooked. This is not to denigrate in any way the contribution of tens of millions of Californians to this remarkable story.

Table of Contents

Statistical Appendix

Table 1

Total Population, United States and California, 1960 to 1999 a/
(In thousands)

July 1	United States	Percent change	California	Percent change	California percent of U.S.
1960	179,979	1.6	15,863	3.8	8.8
1961	182,992	1.7	16,412	3.5	9.0
1962	185,771	1.5	16,951	3.3	9.1
1963	188,483	1.5	17,530	3.4	9.3
1964	191,141	1.4	18,026	2.8	9.4
1965	193,526	1.2	18,464	2.4	9.5
1966	195,576	1.1	18,831	2.0	9.6
1967	197,457	1.0	19,175	1.8	9.7
1968	199,399	1.0	19,432	1.3	9.7
1969	201,385	1.0	19,745	1.6	9.8
1970	203,984	1.3	20,039	1.5	9.8
1971	206,827	1.4	20,346	1.5	9.8
1972	209,284	1.2	20,585	1.2	9.8
1973	211,357	1.0	20,869	1.4	9.9
1974	213,342	0.9	21,174	1.5	9.9
1975	215,465	1.0	21,538	1.7	10.0
1976	217,563	1.0	21,936	1.8	10.1
1977	219,760	1.0	22,352	1.9	10.2
1978	222,095	1.1	22,836	2.2	10.3
1979	224,567	1.1	23,257	1.8	10.4
1980	227,225	1.2	23,782	2.3	10.5
1981	229,466	1.0	24,278	2.1	10.6
1982	231,664	1.0	24,805	2.2	10.7
1983	233,792	0.9	25,337	2.1	10.8
1984	235,825	0.9	25,816	1.9	10.9
1985	237,924	0.9	26,403	2.3	11.1
1986	240,133	0.9	27,052	2.5	11.3
1987	242,289	0.9	27,717	2.5	11.4
1988	244,499	0.9	28,393	2.4	11.6
1989	246,819	0.9	29,142	2.6	11.8
1990	249,439	1.1	29,944	2.8	12.0
1991	252,127	1.1	30,565	2.1	12.1
1992	254,995	1.1	31,188	2.0	12.2
1993	257,746	1.1	31,517	1.1	12.2
1994	260,289	1.0	31,790	0.9	12.2
1995	262,765	1.0	32,063	0.9	12.2
1996	265,190	0.9	32,383	1.0	12.2
1997	267,744	1.0	32,957	1.8	12.3
1998	270,299	1.0	33,494	1.6	12.4
1999	272,878	1.0	34,036	1.6	12.5

a/ Includes members of the Armed Forces stationed in the area.

Sources:
US Department of Commerce, Bureau of the Census,
http://www.census.gov/
CA Department of Finance, Demographic Research Unit,
http://www.dof.ca.gov/

Table 2

Components of Change in California's Civilian Population as of July 1, 1970 to 1999
(In thousands)

Year	Civilian population	Net change from preceeding year	Births	Deaths	Natural increase	Net migration	Net transfer between civilian and military status
1970	19,663						
1971	20,002	339	352	168	184	128	27
1972	20,264	262	313	169	144	98	20
1973	20,557	293	303	173	130	161	2
1974	20,873	316	301	170	131	182	3
1975	21,248	375	316	171	145	228	2
1976	21,652	404	323	170	153	248	3
1977	22,073	421	342	168	174	247	0
1978	22,569	496	350	173	177	319	0
1979	22,989	420	368	177	191	229	0
1980	23,511	522	390	180	210	312	0
1981	24,006	495	413	189	224	271	0
1982	24,523	517	425	186	239	278	0
1983	25,058	535	435	188	247	288	0
1984	25,530	472	437	191	246	226	0
1985	26,114	584	457	202	255	329	0
1986	26,763	649	481	200	281	368	0
1987	27,427	664	493	206	287	377	0
1988	28,115	688	517	214	303	385	0
1989	28,861	746	547	216	331	415	0
1990	29,679	818	594	213	381	437	0
1991	30,266	587	609	213	396	191	0
1992	30,971	705	613	216	397	308	0
1993	31,349	378	588	216	372	6	0
1994	31,500	151	579	223	356	(205)	0
1995	31,827	327	558	221	337	(10)	0
1996	32,192	365	544	225	319	46	0
1997	32,811	619	531	222	309	310	0
1998	33,354	543	522	226	296	247	0
1999	33,899	545	525	228	297	248	0

Source:
Department of Finance
Demographic Research Unit
(916) 322-4651
http://www.dof.ca.gov

Table 3

Total Population of California Counties
July 1, 1998 and 1999

County	1998	1999
Alameda	1,428,300	1,448,700
Alpine	1,180	1,170
Amador	33,100	33,650
Butte	199,700	200,600
Calaveras	38,250	38,350
Colusa	18,650	18,750
Contra Costa	916,900	932,000
Del Norte	27,800	27,450
El Dorado	150,200	152,400
Fresno	785,100	794,200
Glenn	26,850	26,900
Humboldt	125,800	126,100
Imperial	143,400	145,600
Inyo	18,300	18,050
Kern	640,100	651,700
Kings	124,200	127,300
Lake	55,100	55,400
Lassen	33,450	33,350
Los Angeles	9,639,800	9,790,000
Madera	114,700	116,600
Marin	245,000	246,700
Mariposa	16,050	15,900
Mendocino	86,200	86,500
Merced	204,400	207,000
Modoc	9,825	9,575
Mono	10,600	10,800
Monterey	384,100	390,900
Napa	122,600	124,200
Nevada	90,100	90,500
Orange	2,763,900	2,813,700
Placer	223,100	232,000
Plumas	20,400	20,200
Riverside	1,458,500	1,504,100
Sacramento	1,176,200	1,202,100
San Benito	47,800	49,700
San Bernardino	1,645,800	1,674,700
San Diego	2,828,300	2,883,500
San Francisco	789,500	797,200
San Joaquin	551,500	562,600
San Luis Obispo	238,100	240,500
San Mateo	721,400	727,300
Santa Barbara	405,000	408,600
Santa Clara	1,701,400	1,717,600
Santa Cruz	250,800	253,400
Shasta	164,800	165,000
Sierra	3,310	3,180
Siskiyou	44,100	43,750
Solano	385,500	394,300
Sonoma	440,500	447,300
Stanislaus	431,100	439,800
Sutter	76,700	77,700
Tehama	55,200	55,300
Trinity	13,200	13,050
Tulare	361,400	365,400
Tuolumne	52,700	52,800
Ventura	738,200	751,600
Yolo	156,000	158,900
Yuba	60,300	60,000
CALIFORNIA	33,494,000	34,036,000

Detail may not add due to rounding.
Source: Department of Finance,
Demographic Research Unit, http://www.dof.ca.gov/

Table 4

Civilian Labor Force and Employment,
California, 1967 to 1999 d/ e/
(In thousands)

	Labor force a/	Employed b/	Unemployed c/	Unemployment rate (Percent)
1967	7,831	7,441	389	5.0
1968	8,090	7,724	366	4.5
1969	8,388	8,016	372	4.4
1970	8,167	7,575	592	7.3
1971	8,407	7,669	739	8.8
1972	8,653	7,996	656	7.6
1973	8,910	8,286	624	7.0
1974	9,317	8,638	679	7.3
1975	9,539	8,598	941	9.9
1976	9,896	8,990	906	9.2
1977	10,367	9,513	853	8.2
1978	10,911	10,137	775	7.1
1979	11,268	10,566	702	6.2
1980	11,584	10,794	790	6.8
1981	11,811	10,937	874	7.4
1982	12,177	10,967	1,210	9.9
1983	12,282	11,095	1,187	9.7
1984	12,611	11,631	980	7.8
1985	12,982	12,048	934	7.2
1986	13,333	12,443	890	6.7
1987	13,738	12,947	791	5.8
1988	14,132	13,384	748	5.3
1989	14,517	13,780	737	5.1
1990	15,193	14,319	874	5.8
1991	15,176	14,004	1,172	7.7
1992	15,404	13,973	1,431	9.3
1993	15,359	13,918	1,441	9.4
1994	15,450	14,122	1,328	8.6
1995	15,412	14,203	1,209	7.8
1996	15,512	14,392	1,120	7.2
1997	15,947	14,943	1,005	6.3
1998	16,324	15,356	968	5.9
1999	16,586	15,722	864	5.2
Adjusted for Seasonal Variation				
1998 January	16,185	15,208	977	6.0
February	16,216	15,234	983	6.1
March	16,238	15,266	971	6.0
April	16,252	15,281	971	6.0
May	16,285	15,310	975	6.0
June	16,307	15,339	967	5.9
July	16,351	15,381	970	5.9
August	16,366	15,392	973	5.9
September	16,404	15,430	975	5.9
October	16,399	15,441	958	5.8
November	16,443	15,490	953	5.8
December	16,437	15,492	945	5.7
1999 January	16,440	15,521	919	5.6
February	16,466	15,554	912	5.5
March	16,509	15,601	908	5.5
April	16,527	15,631	896	5.4
May	16,553	15,677	875	5.3
June	16,581	15,713	868	5.2
July	16,614	15,760	854	5.1
August	16,620	15,784	836	5.0
September	16,631	15,807	823	5.0
October	16,667	15,842	826	5.0
November	16,695	15,871	825	4.9
December	16,726	15,898	828	5.0

a/ Detail may not add to total due to rounding
b/ Includes wage and salary workers, employers, own-account workers unpaid family workers and workers directly involved in work stoppages
c/ Excludes the potential or latent supply of workers not active in the labor force
d/ Labor force data for 1990-1999 are not comparable with prio data because of the introduction of the 1990 Census population figures
e/ Statewide data are now derived from BLS-developed regression models
Source: California Employment Development Department,
http://www.calmis.cahwnet.gov/

Table 5

Wage and Salary Workers in Nonagricultural Establishments
By Major Industry, California, 1972 to 1999 c/
(In thousands)

Year	Total	Mining	Construc-tion a/	Manufac-turing	Trans-portation and Utilities	Wholesale Trade	Retail Trade	Finance, Insurance, Real Estate	Services	Govern-ment b/
1972	7,209.9	29.2	312.4	1,542.7	454.1	409.6	1,199.0	409.3	1,361.0	1,492.7
1973	7,621.9	30.5	333.4	1,660.7	467.0	441.6	1,261.9	431.6	1,470.6	1,524.8
1974	7,834.3	32.7	317.8	1,701.3	470.7	460.6	1,291.4	444.8	1,529.1	1,586.0
1975	7,847.2	33.9	285.9	1,593.7	458.1	465.9	1,320.4	446.4	1,572.4	1,670.6
1976	8,154.2	34.7	301.3	1,659.8	463.9	485.3	1,390.2	468.7	1,654.6	1,695.6
1977	8,599.7	35.6	350.4	1,737.8	476.5	507.5	1,474.9	505.4	1,770.9	1,740.7
1978	9,199.8	37.1	401.9	1,884.6	506.4	534.3	1,591.7	553.2	1,937.4	1,753.1
1979	9,664.6	39.3	448.7	2,012.7	534.7	564.1	1,659.7	595.9	2,074.6	1,735.0
1980	9,848.8	43.5	428.3	2,018.2	546.3	583.7	1,683.2	623.1	2,158.8	1,763.9
1981	9,985.3	49.2	407.6	2,032.3	554.8	590.6	1,710.9	642.9	2,240.5	1,756.4
1982	9,810.3	50.4	349.0	1,957.7	542.8	582.1	1,693.1	642.4	2,257.7	1,735.2
1983	9,917.8	47.7	366.9	1,927.0	531.9	600.7	1,731.1	653.8	2,334.4	1,724.3
1984	10,390.0	47.6	407.4	2,004.1	540.0	634.6	1,838.5	677.8	2,492.7	1,747.4
1985	10,769.8	47.8	435.8	2,024.2	553.5	660.4	1,914.7	697.3	2,643.3	1,792.8
1986	11,085.5	40.7	450.0	2,039.1	568.4	672.3	1,982.5	728.6	2,765.1	1,838.8
1987	11,472.6	37.3	487.2	2,060.1	583.2	688.0	2,067.9	755.1	2,910.2	1,883.7
1988	11,911.5	37.7	529.2	2,096.7	588.4	733.5	2,154.1	773.0	3,064.8	1,934.1
1989	12,238.5	37.3	560.0	2,107.0	598.2	758.2	2,193.9	789.0	3,196.2	1,998.7
1990	12,499.9	37.7	561.8	2,068.8	612.2	768.9	2,223.8	808.8	3,343.1	2,074.8
1991	12,359.0	37.0	514.0	1,970.9	613.3	741.7	2,180.5	799.4	3,411.7	2,090.6
1992	12,153.5	35.4	471.7	1,890.5	607.4	713.5	2,121.4	791.9	3,426.3	2,095.6
1993	12,045.3	34.9	445.7	1,805.1	610.6	686.7	2,125.2	794.2	3,462.4	2,080.6
1994	12,159.5	31.9	464.3	1,777.3	619.0	701.6	2,143.5	770.6	3,558.2	2,093.2
1995	12,422.2	30.0	485.4	1,794.2	630.2	724.5	2,190.6	731.9	3,728.5	2,107.0
1996	12,743.4	29.2	505.9	1,851.8	641.8	744.0	2,230.0	736.7	3,890.7	2,113.3
1997	13,129.7	29.0	550.0	1,914.0	663.7	774.3	2,274.5	758.3	4,025.3	2,140.7
1998	13,596.1	25.2	611.2	1,951.0	695.4	799.0	2,324.5	799.4	4,224.3	2,166.1
1999	13,972.2	23.7	679.2	1,922.8	718.9	813.7	2,380.0	821.5	4,377.9	2,234.6

a/ Includes employees of construction contractors and operative builders; does not include force-account and government construction workers.
b/ Includes all civilian employees of Federal, State, and Local governments regardless of the activity in which the employees are engaged.
c/ There may be breaks in series between 1987-88 due to changes in Standard Industrial Classification. Does not include employers own-account workers, unpaid family workers, domestic servants, and agricultural workers.
Source: California Employment Development Department, http://www.calmis.cahwnet.gov/

Table 6

Wage and Salary Workers in Nonagricultural Establishments
By Major Industry, Selected Areas, 1999 a/
(In thousands)

Area b/ and Year	Total	Mining	Construc-tion	Manufac-turing	Trans-portation and Utilities	Trade	Finance, Insurance, Real Estate	Services	Govern-ment
Bakersfield	188.5	8.3	9.8	9.9	11.1	44.3	7.3	47.7	50.1
Fresno c/	288.1	0.4	15.8	31.2	13.6	69.1	14.3	75.0	68.8
Los Angeles-Long Beach	4,005.3	4.4	125.0	643.4	234.2	885.3	233.7	1,317.0	562.4
Modesto	141.4	-	9.3	25.8	5.6	36.0	4.5	36.6	23.8
Oakland	1,009.9	2.5	61.5	117.4	64.2	230.3	57.1	304.2	172.7
Orange County	1,345.2	0.7	73.4	228.9	48.1	331.6	105.2	415.8	141.4
Riverside-San Bernardino	933.6	0.9	70.0	118.3	48.7	231.7	32.0	248.8	183.2
Sacramento c/	686.8	0.2	43.8	48.1	27.5	144.7	50.4	193.5	178.6
Salinas	127.1	0.1	6.2	10.5	5.5	33.2	6.4	35.4	29.7
San Diego	1,150.2	0.3	66.4	128.3	51.9	255.3	68.7	380.0	199.3
San Francisco	1,043.1	0.4	42.1	74.6	81.7	217.7	108.0	392.9	125.6
San Jose	968.8	0.1	45.6	249.0	28.4	189.8	32.8	332.0	91.2
Santa Barbara-Santa Maria-Lompoc	158.9	0.8	7.7	16.4	5.0	39.1	7.5	50.0	32.4
Santa Rosa	179.4	0.4	12.0	29.7	6.4	42.6	10.3	51.5	26.6
Stockton-Lodi	178.3	0.1	10.2	23.8	12.9	42.1	8.5	45.0	35.7
Vallejo-Fairfield-Napa	165.0	0.5	11.9	20.2	6.0	41.1	6.6	45.3	33.5
Ventura	263.0	1.1	14.4	38.9	11.6	61.8	14.8	76.5	43.9

a/ Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers
b/ Area definitions: Bakersfield: Kern County; Fresno: Fresno and Madera Counties; Los Angeles-Long Beach: Los Angeles County; Modesto: Stanislaus County; Oakland: Alameda and Contra Costa Counties; Orange County: Orange County; Riverside-San Bernardino: Riverside and San Bernardino Counties; Sacramento: El Dorado, Placer, and Sacramento Counties; Salinas: Monterey County; San Diego: San Diego County; San Francisco: Marin, San Francisco and San Mateo Counties San Jose: Santa Clara County; Santa Barbara-Santa Maria-Lompoc: Santa Barbara County; Santa Rosa: Sonoma County; Stockton-Lodi: San Joaquin County Vallejo-Fairfield-Napa: Napa and Solano Counties; Ventura: Ventura County
c/ Historical data prior to 1992, presented in earlier issues, for the Fresno and Sacramento MSAs are not comparable with data for 1992 and later years because the Fresno MSA added Madera county and the Sacramento MSA no longer include Yolo county.
Source: California Employment Development Department, http://www.calmis.cahwnet.gov/

Table 7

Wage and Salary Workers in Manufacturing, California, 1989 to 1999 a/
(In thousands)

Industry	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total	2,107.0	2,068.8	1,970.9	1,890.5	1,805.1	1,777.3	1,794.2	1,851.8	1,914.0	1,951.0	1,922.8
Nondurable Goods	701.1	711.0	702.4	708.4	695.2	698.4	704.6	712.5	723.7	722.3	720.0
Durable Goods	1,405.9	1,357.7	1,268.6	1,182.2	1,110.0	1,078.8	1,089.6	1,139.3	1,190.3	1,228.6	1,202.9
Nondurable Goods:											
Food & Kindred Products	175.9	180.7	179.8	182.6	180.4	176.8	174.3	176.9	179.9	179.6	183.3
Meat Products	19.7	20.5	19.8	18.2	17.1	16.9	17.2	17.6	17.8	17.8	18.5
Dairy Products	13.4	14.4	14.1	16.0	15.4	14.7	14.6	13.9	14.0	14.4	14.7
Preserved Fruits & Vegetables	51.0	52.9	52.3	50.8	51.4	49.8	47.3	47.3	46.1	44.4	43.8
Grain Mill Products	8.7	9.7	9.3	7.9	8.4	8.3	8.2	8.0	8.3	8.5	9.4
Bakery Products	20.3	20.6	21.3	22.5	21.9	21.9	22.2	23.0	23.9	23.6	23.8
Beverages	27.5	27.0	27.0	28.4	29.3	29.2	29.0	31.1	33.1	34.3	36.2
Can., Cured & Froz. Seafoods	4.8	4.4	4.5	4.6	3.9	3.8	3.4	3.6	4.1	3.4	3.8
Other Food & Kindred Prod.	30.6	31.2	31.5	34.3	33.0	32.2	32.5	32.4	32.7	33.2	33.1
Textile Mill Products	16.6	16.1	15.1	15.6	16.5	18.4	18.9	20.8	23.5	25.3	26.8
Knitting Mills	4.5	4.6	4.7	4.7	5.1	6.0	6.4	7.3	8.5	9.9	11.2
Carpets & Rugs	4.6	4.0	3.7	2.9	2.9	3.0	2.8	3.2	3.2	3.5	3.6
Other Textile Mills	7.5	7.5	6.8	8.1	8.5	9.4	9.7	10.3	11.7	12.0	12.0
Apparel & Other Textile Prods	128.3	132.8	133.9	139.9	135.8	143.3	151.8	156.6	156.1	149.7	144.1
Men's/Boy's Suits/Coats/Furn.	8.5	8.7	8.2	10.0	10.4	11.7	13.1	13.0	13.0	12.9	12.6
Women's & Misses Outerwear	85.4	88.8	92.1	96.5	92.6	96.3	101.0	104.6	104.7	99.8	94.8
Wmn's & Childs Undergarment	3.7	3.6	3.1	2.9	3.1	3.1	2.9	2.3	1.8	1.6	1.7
Girl's & Children's Outerwear	3.0	3.2	3.5	4.1	4.0	4.8	5.5	5.3	4.7	4.0	3.5
Other Apparel & Textile Prods	27.7	28.6	27.1	26.4	25.8	27.5	29.4	31.3	31.9	31.4	31.5
Paper & Allied Products	40.8	40.5	39.2	39.7	39.3	39.6	39.5	39.9	40.6	40.0	39.4
Pulp, Paper, Paperboard Mills	6.3	6.3	5.8	5.6	5.3	5.1	5.0	4.9	4.7	4.4	4.1
Paperboard Containers/Boxes	17.8	17.9	17.7	18.7	19.2	19.5	19.3	19.5	19.7	19.3	19.1
Misc Converted Paper Prods	16.7	16.3	15.6	15.4	14.8	15.0	15.2	15.5	16.1	16.3	16.2
Printing & Publishing	159.0	161.7	158.5	157.7	154.3	151.0	150.3	148.5	149.6	151.8	149.9
Newspapers	51.0	52.0	50.5	50.2	48.6	46.9	45.6	43.4	43.0	43.6	44.1
Commercial Printing	61.9	62.8	62.2	60.4	58.7	57.7	59.2	60.0	60.6	62.0	60.3
Other Printing & Publishing	46.2	46.9	45.8	47.1	47.0	46.5	45.5	45.1	46.0	46.2	45.5
Chemicals & Allied Products	71.5	70.5	70.6	72.9	72.6	70.7	69.1	69.0	71.0	74.9	79.1
Industrial Inorganic Chemicals	7.4	7.3	7.2	7.0	6.7	6.6	6.0	5.8	6.0	5.9	5.2
Plastic Materials & Synthetics	3.3	3.5	3.2	3.7	3.7	3.6	3.8	3.7	4.0	4.4	4.9
Drugs	23.5	22.9	23.8	25.8	26.9	26.6	26.6	27.5	29.4	33.0	37.2
Soap, Cleaners, Toilet Goods	14.8	14.3	14.0	14.5	14.4	13.8	13.5	13.8	13.5	13.6	13.3
Paints & Allied Products	7.1	7.1	6.8	6.8	6.4	6.3	6.0	4.9	4.7	4.9	5.1
Agricultural Chemicals	2.8	2.9	3.4	3.7	3.6	3.6	3.6	3.7	3.5	3.1	3.1
Other Chem. & Allied Prods	12.6	12.6	12.4	11.4	10.9	10.2	9.6	9.7	9.8	10.0	10.3
Petroleum & Coal Products	27.5	26.4	26.3	25.7	22.7	21.6	21.3	20.1	20.5	19.9	18.4
Petroleum Refining	24.1	23.0	22.9	22.3	19.5	18.5	18.4	17.3	17.7	16.9	14.9
Other Petroleum & Coal Prods	3.4	3.4	3.4	3.4	3.1	3.1	2.9	2.8	2.9	3.0	3.5
Rubber & Misc. Plastics Prods	75.4	76.5	73.1	68.6	68.1	70.6	72.6	74.0	75.7	74.3	72.3
Tires & Inner Tubes	1.1	1.1	1.1	1.2	1.2	1.1	1.2	1.1	1.2	1.0	0.9
Fabricated Rubber Products	9.4	8.9	8.2	7.3	7.1	7.6	8.1	8.0	8.4	7.7	7.0
Misc Plastics Products	60.8	61.9	59.0	54.9	55.0	56.2	58.3	60.5	61.6	61.3	60.9
Other Rubber & Plastics Prods	4.2	4.6	4.8	5.3	4.8	5.7	5.0	4.3	4.6	4.3	3.6
Leather & Leather Products	6.1	5.9	5.8	5.6	5.6	6.5	6.7	6.8	7.0	6.8	6.6
Durable Goods:											
Lumber & Wood Products	69.6	66.2	54.6	48.6	47.8	49.7	50.9	53.7	56.5	58.5	61.2
Logging, Sawmills	21.2	19.7	15.8	16.3	16.4	16.1	16.1	16.3	15.6	14.9	14.8
Millwork, Plywood	28.5	27.0	22.0	18.1	17.1	18.2	18.9	20.2	21.9	24.3	27.3
Wood Containers	4.4	4.6	4.4	4.2	4.4	4.6	4.7	5.1	5.2	5.2	5.3
Other Lumber & Wood Prods.	15.6	14.9	12.4	10.1	9.9	10.8	11.2	12.2	13.8	14.1	13.8

Table 7 continued on next page

Wage and Salary Workers in Manufacturing, California 1989 to 1999 a/
(In thousands)

Industry	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Furniture & Fixtures	58.9	54.9	47.8	45.7	44.5	45.4	47.2	50.5	54.9	59.1	60.6
Household Furniture	33.4	30.1	26.3	24.4	23.6	24.4	26.0	27.8	30.6	32.4	33.8
Partitions, Fixtures	8.4	8.1	7.3	7.0	7.3	7.4	7.8	8.0	8.4	9.1	8.7
Other Furniture	17.2	16.7	14.1	14.3	13.6	13.5	13.4	14.7	15.9	17.6	18.1
Stone, Clay, & Glass	55.2	54.7	48.6	45.9	44.5	43.7	44.0	44.5	46.2	47.5	48.7
Flat Glass	1.8	1.7	1.4	1.6	1.5	1.5	1.6	2.0	2.0	1.9	2.0
Glass & Glassware	8.4	7.9	7.0	6.9	6.6	6.4	6.0	6.0	5.7	5.5	5.4
Products of Puchased Glass	5.4	5.9	5.2	5.4	5.2	4.9	5.2	5.0	5.5	5.9	6.1
Cement, Hydraulic	1.9	1.7	1.7	1.6	1.5	1.5	1.5	1.6	1.6	1.6	1.9
Structural Clay Products	2.6	2.9	2.5	1.8	1.9	2.0	2.3	2.3	2.4	2.2	2.2
Pottery & Related	5.3	5.0	4.4	4.0	3.9	4.0	4.3	3.7	3.7	3.2	2.7
Concrete, Gypsum, & Plaster	21.4	21.4	18.8	16.9	16.8	16.7	16.6	17.0	17.9	19.2	20.8
Other Stone, Clay, & Glass	8.4	8.2	7.6	7.7	7.1	6.8	6.6	7.0	7.6	7.9	7.6
Primary Metals	42.4	40.0	37.0	32.4	31.9	32.7	33.2	34.2	34.6	34.9	34.3
Blast Furnaces	8.8	8.1	7.5	7.2	7.1	7.1	7.6	8.2	8.1	7.5	6.9
Iron & Steel Foundries	6.1	5.5	5.2	5.0	5.0	5.3	5.5	6.0	6.2	6.1	5.7
Nonferrous Rolling & Drawing	12.6	11.9	11.2	9.7	9.7	10.1	10.5	10.2	10.3	10.8	11.3
Nonferrous Castings	10.3	9.9	8.7	7.0	6.7	6.8	6.2	6.4	6.3	6.5	6.3
Other Primary Metals	4.6	4.6	4.3	3.6	3.5	3.4	3.4	3.4	3.6	4.0	4.1
Fabricated Metal Products	135.7	131.1	120.2	115.9	111.7	114.6	116.1	119.9	124.4	128.7	127.2
Metal Cans & Shipping Cont.	6.8	6.5	6.0	6.4	5.9	6.2	5.8	5.6	5.3	5.1	4.7
Cutlery & Handtools	14.6	13.6	12.4	12.5	12.0	12.3	12.4	12.8	12.8	11.7	10.4
Plumbing & Heating	8.4	8.2	7.6	7.1	6.8	6.7	6.9	7.0	7.1	6.9	7.1
Fabricated Structural Metal	40.3	39.6	36.4	33.8	32.3	33.4	32.1	33.9	35.9	38.7	40.6
Screw Machine Prod., Bolts	12.9	13.1	12.2	10.9	10.0	9.7	10.5	11.0	11.8	13.5	12.9
Metal Forgings & Stampings	13.3	13.0	11.5	11.2	10.9	12.3	14.4	14.8	15.2	14.8	13.8
Metal Services, NEC	20.9	19.9	19.3	18.4	17.9	18.3	18.8	19.7	20.5	21.7	20.9
Other Fabricated Metal Prods.	18.6	17.3	14.8	15.7	15.9	15.8	15.3	15.2	15.6	16.5	16.8
Industrial Machinery	218.5	213.3	209.4	198.8	194.4	188.2	197.2	211.3	226.3	232.5	225.9
Farm & Garden Equipment b/	3.6	2.8	2.2	2.5	3.4	3.3	3.0	3.0	3.0	3.0	3.1
Construct & Related Machinery	9.4	8.8	7.8	6.8	6.4	6.4	6.7	6.9	7.4	8.2	7.5
Metalworking Machinery	18.7	17.5	16.2	14.2	14.3	14.3	15.5	16.5	17.8	19.0	18.5
Special Industrial Machinery	10.6	10.9	10.5	11.7	12.4	14.3	17.1	20.8	21.0	21.2	18.7
General Industrial Machinery	18.5	18.8	18.8	17.9	17.5	16.6	16.6	17.0	17.7	17.9	16.9
Computer & Office Equipment	103.1	100.8	101.3	95.1	92.0	83.1	85.1	89.7	94.9	95.4	96.8
Refrigeration & Service Mach.	9.1	8.8	8.7	9.9	9.4	10.4	11.1	10.8	11.4	11.4	12.1
Other Industrial Machinery	45.3	45.0	44.0	40.7	39.1	39.8	42.1	46.7	53.0	56.5	52.4
Electronic Equipment	261.3	252.3	238.1	221.6	214.0	215.5	228.7	247.8	260.7	269.1	260.3
Electric Distribution Equip.	11.5	10.1	8.8	7.7	6.9	6.5	6.3	6.3	6.3	6.0	5.7
Electric Industrial Apparatus	11.9	10.7	9.6	8.9	7.7	7.4	7.6	7.7	8.0	8.3	7.6
Household Appliances	4.1	3.7	3.1	2.3	2.1	2.2	2.2	2.3	2.5	2.9	2.7
Lighting & Wiring Equipment	23.1	22.4	20.2	18.2	17.3	17.4	18.1	18.0	19.4	20.9	21.6
Household Audio & Video	15.1	15.2	15.3	14.2	13.7	14.5	16.1	17.1	17.2	16.9	16.1
Communications Equipment	31.7	30.5	29.0	30.1	30.7	30.7	34.8	38.2	38.4	39.2	40.0
Electronic Components	142.8	138.9	132.5	122.2	118.4	120.4	128.9	142.4	152.3	158.9	152.6
Miscellaneous Elec. Equip.	21.2	20.9	19.6	17.8	17.3	16.4	14.7	15.9	16.4	16.1	14.2
Transportation Equipment	294.8	288.8	263.7	239.0	201.4	177.9	164.2	161.9	163.1	168.5	161.6
Motor Vehicles & Equip.	32.5	29.8	29.4	30.0	29.2	31.4	32.7	33.4	34.1	34.2	33.6
Aircraft & Parts	161.4	162.3	145.8	132.2	108.1	92.7	84.4	83.0	84.8	89.4	84.4
Ship & Boat Building/Repair	13.9	12.6	12.4	11.6	10.6	9.9	10.3	11.4	10.8	10.9	11.0
Missiles, Spacecraft & Parts	77.9	75.7	68.1	57.9	46.6	36.2	28.9	25.9	24.7	24.9	22.9
Other Transportation Equip.	9.1	8.5	7.9	7.4	6.9	7.6	7.9	8.2	8.7	9.0	9.7
Instruments & Related Prods.	233.4	221.0	215.0	199.4	184.4	172.6	166.4	172.2	178.8	182.4	174.6
Search & Navigation Equip.	111.7	99.3	94.1	84.0	70.7	61.4	55.4	56.3	58.5	57.2	53.8
Measuring & Control Devices	71.5	69.5	67.5	62.9	60.7	59.5	61.2	64.2	67.3	68.5	62.5
Other Instruments & Related	50.3	52.2	53.4	52.5	53.0	51.7	49.8	51.7	53.0	56.7	58.3
Miscellaneous Manufacturing	36.2	35.6	34.1	34.8	35.4	38.7	41.8	43.3	44.9	47.5	48.4
Toys & Sporting Goods	11.8	11.8	11.9	12.0	12.1	14.0	16.1	16.2	16.9	17.1	16.1
Other Misc Manufacturing	24.4	23.8	22.2	22.8	23.3	24.6	25.6	27.0	28.0	30.4	32.3

a/ Based on 1987 SIC codes. b/ Data for 1993-1999 are not comparable with prior years because of an SIC code change
Source: California Employment Development Department, http://www.calmis.cahwnet.gov

Table 8

Aerospace and Electronics Employment,
California, 1960 to 1999 a/b/c/
(In thousands)

Year	Total Aerospace	Office and Computing Machines	Radio and T.V. Receiving Equipment	Communi-cation Equipment	Electronic Components and Accessories	Aircraft and Parts	Guided Missiles and Space Vehicles	Measuring and Controlling Devices
1960	422.5	23.3	9.9	92.2	29.1	181.4	68.4	18.2
1961	425.8	23.6	10.6	98.8	31.2	166.0	76.2	19.5
1962	457.6	25.4	12.0	112.0	35.4	161.0	89.6	22.1
1963	458.3	25.6	11.9	110.4	34.8	160.1	93.7	21.8
1964	433.5	26.9	11.0	98.1	32.4	153.6	90.8	20.8
1965	434.3	30.2	10.8	95.7	34.9	155.3	86.0	21.4
1966	495.0	33.8	13.7	103.3	47.7	181.3	92.1	23.1
1967	542.4	38.8	15.0	117.6	52.0	198.6	97.4	23.0
1968	544.3	42.7	15.5	117.0	52.4	195.4	96.9	24.6
1969	528.3	53.4	16.7	114.4	57.7	178.3	82.6	25.3
1970	466.3	58.3	15.1	102.9	53.0	148.3	64.5	24.3
1971	409.6	52.3	14.2	91.1	45.9	130.3	52.9	23.0
1972	427.4	52.1	15.0	95.1	52.0	135.4	52.8	25.1
1973	462.8	61.4	15.5	100.0	68.9	135.6	51.0	30.5
1974	485.8	69.7	15.8	102.6	78.5	134.9	51.7	32.7
1975	450.5	63.3	14.9	103.0	65.7	121.3	52.0	30.2
1976	449.6	62.3	16.1	105.4	74.8	108.5	50.0	32.5
1977	465.2	67.0	16.6	108.4	82.3	109.4	48.0	33.5
1978	518.8	80.1	17.8	119.1	97.3	117.5	49.6	37.4
1979	590.6	92.2	18.0	129.6	114.6	140.4	54.0	41.9
1980	632.6	97.9	17.6	137.3	124.2	151.0	58.6	46.0
1981	647.1	98.4	17.3	146.5	126.1	147.9	62.7	48.2
1982	658.3	103.9	14.9	157.2	131.0	137.3	66.4	47.6
1983	664.3	108.7	13.3	156.9	138.1	131.8	68.5	47.0
1984	708.2	114.3	13.3	162.2	160.3	136.9	71.6	49.6
1985	734.9	108.6	13.2	174.7	156.7	152.8	76.2	52.7
1986	740.8	105.6	13.8	176.9	146.4	164.9	79.8	53.4
1987	735.3	103.4	14.1	170.4	147.0	167.8	79.3	53.3

		Aerospace			Electronics			
Year	Total High Tech-nology	Aircraft and Parts	Missiles and Space Vehicles	Search and Navigation Instruments	Computer and Office Equipment	Communi-cations Equipment	Electronic Components	Laboratory Measuring, Controlling Instruments
1988	707.8	159.6	79.9	123.6	100.3	30.9	144.2	69.2
1989	700.0	161.4	77.9	111.7	103.1	31.7	142.8	71.5
1990	676.8	162.3	75.7	99.3	100.8	30.5	138.9	69.5
1991	638.4	145.8	68.1	94.1	101.3	29.0	132.5	67.5
1992	584.5	132.2	57.9	84.0	95.1	30.1	122.2	62.9
1993	527.3	108.1	46.6	70.7	92.0	30.7	118.4	60.7
1994	484.0	92.7	36.2	61.4	83.1	30.7	120.4	59.5
1995	478.6	84.4	28.9	55.4	85.1	34.8	128.9	61.2
1996	499.5	83.0	25.9	56.3	89.7	38.2	142.4	64.2
1997	521.0	84.8	24.7	58.5	94.9	38.4	152.3	67.3
1998	533.5	89.4	24.9	57.2	95.4	39.2	158.9	68.5
1999 p/	513.0	84.4	22.9	53.8	96.8	40.0	152.6	62.5

a/ Wage and salary workers.
b/ Data from 1960-1987 calculated using aerospace categories as defined by 1972 SIC code.
c/ Data from 1988 and subsequent calculated using aerospace categories as defined by 1987 SIC code.
Data from 1988 and subsequent are not comparable with data from prior years because of the 1987 SIC Code revisions
p/ Preliminary
Source: California Employment Development Department, http://www.calmis.cahwnet.gov

Table 9

Agricultural
Wage and Salary Employment
California, 1972 to 1999
(In thousands)

Year	Total	Agricultural	
		Production	Services a/
1972	268.1	208.3	59.8
1973	288.9	222.4	66.6
1974	308.1	236.9	71.2
1975	315.7	243.7	72.0
1976	323.5	248.2	75.3
1977	314.7	241.7	72.9
1978	323.9	245.1	78.9
1979	338.6	253.6	85.0
1980	352.3	261.9	90.3
1981	354.4	258.6	95.8
1982	358.9	260.7	98.3
1983	347.3	250.3	97.1
1984	347.3	248.6	98.7
1985	335.4	232.7	102.7
1986	327.6	222.0	105.6
1987	345.0	227.2	117.8
1988	369.3	239.2	130.2
1989	371.4	233.7	137.7
1990	363.6	229.7	133.8
1991	342.0	218.2	123.8
1992	351.6	225.7	125.9
1993	362.3	222.2	140.1
1994	379.7	224.0	155.7
1995	373.5	228.4	145.1
1996	408.3	225.7	182.6
1997	413.0	231.8	181.2
1998	406.2	226.0	180.1
1999	418.0	234.7	183.2
1999 January	307.3	178.1	129.2
February	310.3	184.4	125.9
March	320.2	193.8	126.4
April	372.6	218.8	153.8
May	447.6	252.1	195.5
June	491.9	265.6	226.3
July	512.5	281.6	230.9
August	521.7	287.6	234.1
September	498.9	271.4	227.5
October	460.5	258.7	201.8
November	397.0	217.4	179.6
December	375.2	207.3	167.9

a/ Agricultural services includes forestry and fishing, but excludes veterinary, other animal, and landscape and horticultural services.
Source: California Employment Development Department, http://www.calmis.cahwnet.gov/

Table 10

Average Weekly and Hourly Earnings, and
Average Hours Worked Per Week
Production and Related Workers in Manufacturing,
California and United States, 1960 to 1999 a/

Year	California			United States		
	Average Weekly Earnings	Average Hourly Earnings	Average Hours per Week	Average Weekly Earnings	Average Hourly Earnings	Average Hours per Week
1960	$104.28	$2.62	39.8	$89.72	$2.26	39.7
1961	108.53	2.72	39.9	92.34	2.32	39.8
1962	112.44	2.79	40.3	96.15	2.38	40.4
1963	115.78	2.88	40.2	99.22	2.45	40.5
1964	119.29	2.96	40.3	102.97	2.53	40.7
1965	123.83	3.05	40.6	107.53	2.61	41.2
1966	128.93	3.16	40.8	112.34	2.72	41.3
1967	132.92	3.29	40.4	114.49	2.82	40.6
1968	138.63	3.44	40.3	122.51	3.01	40.7
1969	145.89	3.62	40.3	129.51	3.19	40.6
1970	150.48	3.80	39.6	133.33	3.35	39.8
1971	158.79	4.02	39.5	142.44	3.57	39.9
1972	170.43	4.25	40.1	154.71	3.82	40.5
1973	178.93	4.44	40.3	166.46	4.09	40.7
1974	188.97	4.76	39.7	177.20	4.43	40.0
1975	205.67	5.22	39.4	190.30	4.83	39.4
1976	221.92	5.59	39.7	208.80	5.22	40.0
1977	240.60	6.00	40.1	228.50	5.67	40.3
1978	257.84	6.43	40.1	249.27	6.17	40.4
1979	280.50	7.03	39.9	269.34	6.70	40.2
1980	304.15	7.70	39.5	288.62	7.27	39.7
1981	338.98	8.56	39.6	318.00	7.99	39.8
1982	362.21	9.24	39.2	330.26	8.49	38.9
1983	380.80	9.52	40.0	354.08	8.83	40.1
1984	393.73	9.77	40.3	374.03	9.19	40.7
1985	406.82	10.12	40.2	386.37	9.54	40.5
1986	417.51	10.36	40.3	396.01	9.73	40.7
1987	433.23	10.75	40.3	406.31	9.91	41.0
1988	439.56	10.80	40.7	418.81	10.19	41.1
1989	454.21	11.16	40.7	429.68	10.48	41.0
1990	466.09	11.48	40.6	441.86	10.83	40.8
1991	481.92	11.87	40.6	455.03	11.18	40.7
1992	494.91	12.19	40.6	469.86	11.46	41.0
1993	506.34	12.38	40.9	486.04	11.74	41.4
1994	515.02	12.44	41.4	506.94	12.07	42.0
1995	517.06	12.55	41.2	514.59	12.37	41.6
1996	532.86	12.84	41.5	531.23	12.77	41.6
1997	554.76	13.24	41.9	553.14	13.17	42.0
1998	570.99	13.66	41.8	562.53	13.49	41.7
1999 p/	583.11	13.95	41.8	580.05	13.91	41.7

a/ Averages based on data for full and part-time production and related workers in production and other departments, such as shipping, maintenance, and warehousing Overtime pay and premium wages for late-shift are included.
p/ Preliminary
Sources:
CA Employment Development Department, http://www.calmis.cahwnet.gov/
US Department of Labor, Bureau of Labor Statistics, http://stats.bls.gov/

Table 11

Average Weekly and Hourly Earnings, and Average Hours Worked Per Week, Selected Nonmanufacturing Industries, California, 1999 a/ p/

Industry	Average Weekly Earnings	Average Hourly Earnings	Average Hours per Week
Mineral extraction			
Metallic minerals	$762.08	$17.32	44.0
Nonmetallic minerals, except fuels	863.95	19.77	43.7
Contract construction			
General building contractors	885.20	23.48	37.7
Heavy construction contractors, except building	959.15	24.16	39.7
Special trade contractors	795.34	21.38	37.2
Communication and public utilities			
Communications	890.10	20.70	43.0
Electric, gas, and sanitary services	997.19	23.63	42.2
Trade			
Wholesale	639.18	15.90	40.2
Retail	327.49	10.88	30.1
Services			
Movie production	1,312.04	37.38	35.1

a/ Averages are based on data for full and part-time production and related workers in mineral extraction, construction, and nonsupervisory employees and working supervisors in other industries. Overtime hours and pay and premium wages for late-shift work are included.
p/ Preliminary
Source: California Employment Development Department, http://www.calmis.cahwnet.gov/

Table 12

Nonresidential Construction Authorized
By Permit, California, 1970 to 1999
(Dollars in thousands)

Year	Commercial	Industrial	Other	Additions and Alterations	Total
1970	$1,089,054	$288,077	$674,969	$491,669	$2,543,764
1971	1,401,364	326,049	978,580	263,473	2,969,469
1972	1,437,511	464,702	865,306	281,118	3,048,634
1973	1,349,105	717,549	828,827	337,156	3,230,637
1974	1,260,018	736,532	902,675	359,502	3,258,723
1975	1,296,132	491,032	952,261	366,794	3,106,221
1976	1,327,749	629,515	1,067,335	443,049	3,467,649
1977	1,890,490	1,093,685	1,229,912	498,550	4,712,638
1978	2,477,474	1,556,132	1,318,691	606,069	5,958,365
1979	3,377,019	1,812,478	1,383,480	721,923	7,294,901
Revised definition a/					
1980	3,274,077	1,276,735	1,202,941	1,716,358	7,470,107
1981	4,034,262	1,484,012	1,308,222	2,079,349	8,905,843
1982	4,176,487	1,051,366	1,401,367	2,100,651	8,729,875
1983	4,456,644	1,312,567	1,478,114	2,663,477	9,910,801
1984	5,643,180	2,020,359	1,561,724	2,747,846	11,973,109
1985	6,235,954	1,956,566	1,800,293	3,324,965	13,317,778
1986	5,780,519	2,135,479	1,886,448	3,392,460	13,194,906
1987	5,686,771	1,803,318	1,747,206	3,664,011	12,901,306
1988	6,568,580	1,802,032	1,769,095	4,020,603	14,160,310
1989	6,159,419	1,704,750	1,518,323	4,283,608	13,666,100
1990	5,269,845	1,591,383	1,643,771	4,230,541	12,735,540
1991	3,373,613	892,001	1,282,585	4,071,799	9,619,998
1992	2,472,449	625,998	1,233,855	3,823,541	8,155,843
1993	2,136,925	489,229	1,067,307	3,863,428	7,556,889
1994	2,108,066	649,629	1,051,277	4,080,657	7,889,629
1995	2,308,911	732,874	1,050,693	4,062,273	8,154,751
1996	2,751,925	1,140,574	1,152,443	4,539,219	9,584,161
1997	4,271,378	1,598,428	1,378,220	5,021,792	12,269,818
1998	5,419,251	2,466,530	1,782,337	5,307,901	14,976,019
1999 p/	5,714,460	2,255,850	2,345,223	6,269,834	16,585,367

a/ Prior to 1980 all additions and alterations of $100,000 or more were recorded as new construction in the commercial, industrial or other categories.
p/ Preliminary as of March 24, 2000
Sources:
Construction Industry Research Board, http://www.cirbdata.com
Security Pacific National Bank (1970-86)

Table 13

Residential Construction Authorized
By Permit, California, 1970 to 1999

Year	Units			Valuation ($ mill.)	
	Total	Single	Multiple	Additions and Alterations	Total Residential
1970	195,692	71,344	124,348	$271	$3,177
1971	256,989	113,260	143,729	303	4,529
1972	279,670	124,064	155,606	330	5,390
1973	216,079	102,571	113,508	350	4,883
1974	129,229	76,204	53,025	434	3,687
1975	131,732	89,823	41,909	429	4,541
1976	221,940	140,293	81,647	659	8,023
1977	270,640	174,874	95,766	840	10,494
1978	243,805	141,537	102,268	947	10,604
1979	210,076	127,499	82,577	1,103	10,791
1980	144,987	86,632	58,355	1,234	9,098
1981	104,873	59,973	44,900	1,235	7,520
1982	84,373	49,852	34,521	1,242	6,179
1983	168,358	99,299	69,059	1,493	11,511
1984	218,007	107,346	110,661	1,567	14,514
1985	263,682	109,809	153,873	1,683	17,599
1986	302,934	143,013	159,921	1,870	22,319
1987	253,171	136,128	117,043	2,164	22,116
1988	255,559	162,167	93,392	2,473	26,361
1989	237,747	162,651	75,096	2,968	27,790
1990	164,313	103,819	60,494	3,231	20,686
1991	105,919	73,809	32,110	3,048	15,056
1992	97,407	76,187	21,220	2,929	14,451
1993	84,656	69,901	14,755	2,540	12,954
1994	97,047	77,115	19,932	2,689	14,852
1995	85,293	68,689	16,604	2,648	13,879
1996	94,283	74,923	19,360	2,442	15,289
1997	111,716	84,780	26,936	2,615	18,752
1998	125,707	94,298	31,409	2,817	21,976
1999 p/	140,175	101,766	38,409	3,333	25,758

p/ Preliminary as of March 24, 2000
Sources:
Construction Industry Research Board, http://www.cirbdata.com

Table 14

Consumer Price Index, Selected Areas (1982-84=100)
1970 to 1999

Year	United States	California a/	Los Angeles-Anaheim-Riverside	San Francisco-Oakland-San Jose	San Diego	United States	California a/	Los Angeles-Anaheim-Riverside	San Francisco-Oakland-San Jose	San Diego
	All Urban Consumers:					Urban Wage Earners and Clerical Workers:				
1970	38.8	37.9	38.7	37.7	34.1	39.0	38.2	38.7	38.0	35.8
1971	40.5	39.3	40.1	39.1	35.4	40.7	39.6	40.1	39.4	37.1
1972	41.8	40.6	41.4	40.4	36.8	42.1	40.9	41.4	40.8	38.6
1973	44.4	43.0	43.7	42.8	39.2	44.7	43.3	43.7	43.2	41.1
1974	49.3	47.4	48.2	47.0	43.5	49.6	47.7	48.2	47.4	45.6
1975	53.8	52.3	53.3	51.8	47.6	54.1	52.6	53.3	52.2	49.9
1976	56.9	55.6	56.9	54.6	50.5	57.2	55.9	56.8	55.2	52.9
1977	60.6	59.5	60.8	58.8	53.8	60.9	59.9	60.8	59.4	56.4
1978	65.2	64.4	65.3	64.3	59.2	65.6	64.7	65.1	64.8	61.9
1979	72.6	71.3	72.3	69.8	68.9	73.1	72.1	72.8	70.5	71.4
1980	82.4	82.4	83.7	80.4	79.4	82.9	83.6	84.7	81.2	82.1
1981	90.9	91.4	91.9	90.8	90.1	91.4	92.7	93.1	91.6	92.8
1982	96.5	97.3	97.3	97.6	96.2	96.9	98.5	98.5	98.2	99.4
1983	99.6	98.9	99.1	98.4	99.0	99.8	99.0	99.3	98.2	99.0
1984	103.9	103.8	103.6	104.0	104.8	103.3	102.5	102.2	103.7	101.7
1985	107.6	108.6	108.4	108.4	110.4	106.9	106.7	106.5	107.8	104.5
1986	109.6	112.0	111.9	111.6	113.5	108.6	109.6	109.5	110.7	107.2
1987	113.6	116.6	116.7	115.4	117.5	112.5	113.9	114.0	114.3	111.1
1988	118.3	121.9	122.1	120.5	123.4	117.0	118.9	119.0	119.4	116.5
1989	124.0	128.0	128.3	126.4	130.6	122.6	124.9	124.9	125.5	123.5
1990	130.7	135.0	135.9	132.1	138.4	129.0	131.5	131.9	131.1	130.5
1991	136.2	140.6	141.4	137.9	143.4	134.3	136.7	137.1	136.3	134.7
1992	140.3	145.6	146.5	142.5	147.4	138.2	141.4	142.0	140.6	138.2
1993	144.5	149.4	150.3	146.3	150.6	142.1	144.7	145.2	144.3	141.0
1994	148.2	151.5	152.3	148.7	154.5	145.6	146.6	147.0	146.3	144.4
1995	152.4	154.0	154.6	151.6	156.8	149.8	149.1	149.4	149.3	147.0
1996	156.9	157.1	157.5	155.1	160.9	154.1	152.0	152.1	152.6	150.6
1997	160.5	160.5	160.0	160.4	163.7	157.6	155.0	154.3	157.4	152.9
1998	163.0	163.7	162.3	165.5	166.9	159.7	157.6	156.0	161.8	155.4
1999	166.6	168.5	166.1	172.5	172.8	163.2	162.2	159.6	168.8	161.3

a/ Computed by the Department of Industrial Relations, Division of Labor Statistics and Research as a weighted average of the indices for Los Angeles-Anaheim-Riverside, San Francisco-Oakland-San Jose and, from 1965-86, San Diego.

Sources:

US Department of Labor, Bureau of Labor Statistics, http://stats.bls.gov

CA Department of Industrial Relations, http://www.dir.ca.gov

Table 15

Taxable Transactions in California, by Type of Business, 1990 to 1998
(Dollars in millions)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total, all outlets	$281,860	$270,845	$272,368	$272,124	$285,975	$300,956	$321,076	$341,092	$358,858
Retail stores	181,655	176,573	179,275	179,015	187,088	194,378	205,747	217,249	229,406
Apparel stores	10,345	10,433	10,384	10,403	10,620	10,470	11,071	11,530	11,731
General merchandise a/	30,557	30,911	32,461	32,289	33,492	34,036	34,681	36,526	38,777
Specialty stores	23,773	23,678	23,850	24,357	26,443	28,480	31,301	33,827	36,176
Food stores b/	14,893	16,382	17,459	14,609	14,323	14,469	15,183	15,924	16,114
Eating and drinking	23,275	23,555	23,545	23,733	24,532	25,461	26,760	28,254	30,046
Household	9,255	8,851	8,559	8,535	9,388	9,845	9,731	9,633	10,535
Building materials	14,191	12,686	12,213	12,546	13,135	13,437	14,141	15,643	17,169
New motor vehicle dealers	25,828	22,246	21,990	23,388	25,096	26,959	28,826	30,820	34,223
Service stations	15,862	15,143	16,352	16,524	16,612	17,092	19,044	19,318	17,350
Automotive c/	5,487	5,271	5,391	5,589	6,084	6,473	6,887	7,201	8,178
All other retail stores	8,188	7,417	7,071	7,042	7,364	7,658	8,123	8,573	9,107
Other									
Business and personal services	13,755	13,323	13,032	13,319	13,918	14,635	15,720	16,972	18,816
All other outlets	86,451	80,949	80,061	79,791	84,968	91,944	99,610	106,871	110,636

a/ Includes drug stores and excludes exempt sales of prescription medicines.
b/ Excludes exempt sales of food for home consumption.
c/ Excludes new car dealers and service stations.
Numbers independently rounded.
Source: California Board of Equalization, http://www.boe.ca.gov/

Table 16

Taxable Transactions in California and Outstanding Sales Tax Permits, by Type of Outlet 1960 to 1999

Year	Taxable Transactions ($ in millions)		Sales tax permits outstanding a/			
	All outlets	Retail stores	Total	Retail stores b/	Personal service shops	Other c/
1960	$23,361	$15,645	346,706	150,512	58,997	137,197
1961	23,987	16,077	351,540	148,900	59,516	143,124
1962	25,969	17,522	355,403	151,769	57,591	146,043
1963	27,892	18,893	362,614	154,517	57,105	150,992
1964	30,265	20,550	372,387	157,344	56,749	158,294
1965	31,671	21,317	381,203	161,109	56,002	164,092
1966	34,236	22,624	389,867	163,087	55,326	171,454
1967	35,122	23,512	392,705	163,821	54,624	174,260
1968	39,007	26,168	401,980	165,285	54,993	181,702
1969	42,378	28,254	411,375	167,887	55,066	188,422
1970	43,223	28,699	426,766	171,094	56,173	199,499
1971	46,815	31,496	440,935	173,343	57,359	210,233
1972	53,714	36,518	459,616	177,261	58,815	223,540
1973	61,738	42,119	474,733	180,330	59,943	234,460
1974	68,071	45,797	492,937	182,570	60,918	249,449
1975	73,476	49,800	520,499	187,399	62,951	270,149
1976	83,822	57,343	552,162	193,925	65,868	292,369
1977	99,482	67,491	583,704	200,452	69,271	313,981
1978	113,468	76,366	611,397	206,951	72,003	332,443
1979	131,678	87,270	642,152	212,804	75,185	354,163
1980	142,759	94,211	673,679	218,945	78,272	376,462
1981	155,127	101,666	698,080	223,201	79,952	394,927
1982	154,553	102,009	740,577	230,023	83,223	427,331
1983	169,413	113,350	764,815	233,522	85,697	445,596
1984	194,014	126,736	783,718	240,108	88,839	454,771
1985	208,574	135,901	808,549	246,878	92,465	469,206
1986	217,465	141,880	841,630	258,248	96,886	486,496
1987	231,870	150,252	867,132	271,330	100,689	495,113
1988	251,078	162,517	880,216	281,218	103,748	495,250
1989	272,089	175,766	898,222	290,982	106,253	500,987
1990	281,860	181,655	928,953	302,356	108,199	518,398
1991	270,845	176,573	928,764	306,870	106,949	514,945
1992	272,368	179,275	956,241	319,342	108,387	528,512
1993	272,124	179,015	970,355	326,234	108,413	535,708
1994	285,975	187,088	979,341	332,958	107,748	538,635
1995	300,956	194,378	983,574	337,374	106,896	539,304
1996	321,076	205,747	974,756	339,587	105,281	529,888
1997	341,092	217,249	965,223	342,228	104,021	518,974
1998	358,858	229,406	954,088	345,609	103,223	505,256
1999	n.a.	n.a.	961,630	n.a.	106,202	n.a.

a/ Permits as of July 1.
b/ Exclusive of itinerant and mail-order vendors.
c/ Consists of manufacturing, wholesaling, contracting, and miscellaneous outlets and itinerant and mail-order vendors.
n.a. Not available.
Source: California Board of Equalization, http://www.boe.ca.gov/

Table 17

California Travel Spending, Selected Years
(Dollars in millions)

Spending by type of business	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999 p/
Total	$37,750	$41,680	$45,330	$47,080	$47,500	$49,000	$50,800	$52,500	$56,000	$61,300	$64,400	$67,900
Air transport	6,950	7,690	8,400	8,930	7,700	7,900	7,800	8,000	8,400	8,600	8,600	8,700
Travel arrangement	320	350	380	390	400	400	400	400	400	400	500	500
Destination spending:												
Total	30,490	33,640	36,560	37,760	39,500	40,700	42,600	44,100	47,100	52,300	55,400	58,700
Retail shopping	7,240	8,000	8,700	8,990	10,800	11,200	11,800	12,200	13,000	14,200	15,300	16,000
Eating and Drinking	5,430	5,980	6,500	6,720	6,600	6,700	7,000	7,300	7,800	8,700	9,500	10,000
Lodging	5,100	5,620	6,090	6,270	6,500	6,500	6,700	7,000	7,600	8,700	9,600	10,200
Recreation	3,630	4,000	4,340	4,480	5,000	5,100	5,400	5,600	5,900	6,600	7,100	7,400
Ground transport	6,610	7,310	7,960	8,210	7,800	8,100	8,500	8,800	9,300	10,200	9,900	10,800
Food stores	2,490	2,730	2,970	3,090	2,900	3,000	3,200	3,300	3,500	3,800	4,000	4,200

Destination spending by type of traveler	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999 p/
Hotel, motel, b&b guests	13,710	15,230	16,520	16,910	17,300	17,400	17,900	18,700	20,300	23,300	25,400	27,300
Day visitors	7,690	8,610	9,390	9,630	10,300	10,800	11,500	11,900	12,600	13,800	14,400	15,200
Private home guests	5,800	6,230	6,740	7,220	7,700	8,200	8,700	8,900	9,200	9,500	9,700	10,000
Vacation home renters	1,520	1,630	1,740	1,840	1,900	1,900	2,000	2,000	2,200	2,500	2,800	3,000
Campers	1,770	1,940	2,160	2,170	2,300	2,400	2,500	2,600	2,800	3,100	3,200	3,200

p/ Preliminary
Revised from 1992 onward.
Detail may not add due to rounding.
Source: California Trade and Commerce Agency, http://commerce.ca.gov/index.html